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Science: saviour or tool of the devil?

FINANCIAL TIMES

Europe's Business Newspaper — THURSDAY APRIL 8/FRIDAY APRIL 9 1993 — D8523A

UN changes tack on evacuations from Srebrenica

General Philippe Morillon, commander of United Nations forces in Bosnia, made a new attempt to break the humanitarian impasse in Srebrenica, by trying to station Canadian UN troops there.

In Brussels, meanwhile, the approval by Nato ambassadors of final plans for using alliance fighters to enforce the UN no-fly zone over Bosnia, hit a last-minute snag as a result of French concerns about the rules of engagement. In Sarajevo, snipers killed four civilians trying to cross the airport runway after Bosnian commanders failed to sign a safe passage deal reached with their Serb adversaries. Page 16

Clinton to unveil detailed budget: The US administration publishes its full budget today, fleshing out the basic economic package put forward by President Bill Clinton in February. Page 16

UK to review N Ireland options: The UK government is to draw up its own proposals for a devolved government in Northern Ireland in an attempt to re-start political talks in the province, John Major, the prime minister, announced.

N Sea oil exploration warning: North Sea oil operators are preparing to warn the UK government that they will cut oil exploration severely if changes to Petroleum Revenue Tax proposed in the recent Budget become law. Page 16

Japan industry sees 2.4% growth: Japan's Economic Planning Agency said a survey of leading industrial companies found that most expect Japan's economy to grow by about 2.4 per cent this fiscal year – well below the official government forecast of 3.3 per cent. Page 4

Italy's bank chief hints at recovery

Carlo Azelgio Ciampi (left), governor of the Bank of Italy, joined a growing consensus that Italy's economy was showing modest signs of recovery. Mr Ciampi insisted the weakness of the lira, which has touched L1,000 against the D-Mark and depressed prices in the bond market, was the result of political uncertainties more than economic fundamentals. Page 3

Bank of France may cut rates: French franc money market rates continued to fall sharply amid expectations that the Bank of France might cut its official interest rates today. Page 3

Virgin to double fleet: Virgin Atlantic Airways, the UK long-haul airline, is to double the size of its fleet by leasing four new Airbus A340-300 and four Boeing 747-400 aircraft from International Lease Financing Corp. Page 4

US stock options disclosure proposal: US companies will have to disclose the value of options granted to executives and deduct them from profits under an accounting rule change proposed by the Financial Accounting Standards Board, a private sector group which sets standards for the accounting industry. Page 17

ICL profits halved: ICL, the UK-based computer company in which Fujitsu of Japan has a majority stake, saw profits before tax almost halved last year due to harsh market conditions. Page 17; Lex, Page 16

Audi and Porsche collaboration: Audi, the Volkswagen group's quality car subsidiary, will launch a model developed and built with sports-specialist Porsche in September. Page 17

Italian car market tumbles: Italy is to complain to the European Commission about surging Japanese car exports, after sales figures for March showed a sharp rise in Japanese registrations against a steeply falling market. Page 4

Swissair said it was leading negotiations with three other medium-sized European airlines – KLM, SAS and Austrian Airlines – which could result in their merger. Page 17

LA braced for more trouble: Los Angeles is preparing for renewed violence as the second trial of four police officers involved in the beating of Rodney King, a black motorist, draws to a close. Page 4

Russian minister's early Tokyo visit: Russian foreign minister Andrei Kozyrev plans talks with Japanese leaders next week on the eve of a meeting of the Group of Seven leading industrial nations on increasing aid to Moscow. Japan's answer to Russia's problems, Page 2

STOCK MARKET INDICES		
FT-SE 100:	2822.1	(-10.1)
Yield	4.04	
FT-SE Eurotrack 100	1144.36	(-3.07)
FT-A All-Share	1385.01	(-0.3%)
Nikkei	19,829.23	(+342.43)
New York lunchtime:		
Dow Jones Ind Ave	3387.29	(+9.72)
S&P Composite	441.28	(+0.10)
US LUNCHTIME RATES		
Federal Funds:	2 11/16%	
3-mo Treas Bills: Yld	2.98%	
Long Bond	102	
Yield	6.96%	
LONDON MONEY		
3-mo Interbank	5 15/16%	(5 15/16%)
Liffe long gilt future:	Jun 106 13/32	(Jun 106 7/8)
NORTH SEA OIL (Argus)		
Brent 15-day (May)	$18.89	(18.86)
Gold		
New York Comex	$339.7	(339.3)
London	$336.65	(338.15)

STERLING		
New York lunchtime:		
$	1.514	
London:		
$	1.5155	(1.514)
DM	2.4475	(2.4425)
FFr	8.285	(8.2675)
SFr	2.25	(same)
Y	172.25	(172.5)
£ Index	79.9	(79.7)
DOLLAR		
New York lunchtime:		
DM	1.63	
FFr	5.47	
SFr	1.4895	
Y	113.65	
London:		
DM	1.6155	(1.6125)
FFr	5.4675	(5.46)
SFr	1.4885	(1.489)
Y	113.65	(113.9)
$ Index	65.1	(same)
Tokyo close Y 114.02		

Austria	Sch30	Greece	Dr300	Lux	LFr60	Qatar	QR12.00		
Bahrain	Din1.250	Hungary	Ft172	Malta	Lm0.60	S.Arabia	SR11		
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10		
Bulgaria	Lw25.00	India	Rs40	Neth	Fl 3.75	Slovak Rp	KSL45		
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira30	Spain	Pta200		
Czech Rp	Kcs45	Israel	Shk5.90	Norway	NKr16.00	Sweden	SKr15		
Denmark	DKr15	Italy	L2700	Oman	OR1.50	Switz	SFr3.20		
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Syria	S£50.00		
Finland	FM12	Korea	Won 2500	Philippines	Pso45	Thailand	Bht50		
France	FFr8.50	Kuwait	Fils.600	Poland	Zl 22,000	Tunisia	Din1.250		
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es215	Turkey	L7000	UAE	Dh11.00

Dangers of Stalin's secret nuclear city

Leila Boulton was recently allowed to visit Tomsk, the site of Tuesday's nuclear accident

IRON GATES, rows of barbed wire, searchlights and armed guards separate Tomsk-7, Stalin's secret nuclear city in western Siberia, from the outside world.

This is the site of a radioactive explosion on Tuesday night which has heightened fears over the once-pampered defence plants of the former Soviet Union which are still involved in the production of nuclear weapons.

The International Atomic Energy Agency in Vienna yesterday put the Tomsk accident at Level Three on the International Nuclear Events Scale. That means "a serious incident with on-site contamination but no effects off-site." Chernobyl was a Level Seven disaster.

On a recent visit there the Financial Times was allowed to see only the prim administrative and residential centre, with solid, pastel-colour Stalin era houses, surrounded by beautiful Siberian forest.

But Professor Alexei Yablokov, President Boris Yeltsin's adviser on ecology and health, said his wife, herself a journalist, had seen "rusting locks and leaking roofs" at nuclear-related facilities there.

The incident at the Tomsk-7 chemical plant was the first at the heart of Russia's secretive defence industry to be openly and promptly acknowledged. *Tomsk-7, which was established* by Stalin to develop a nuclear bomb, is today a town of 110,000 people which produces plutonium and enriched uranium for nuclear weapons.

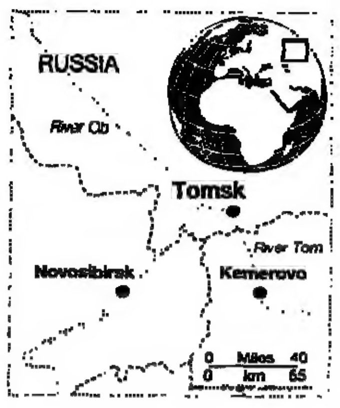
Mr Gennady Khandorin, director of the chemical plant, said the reasons for a build-up of pressure which destroyed a container of radioactive material were still unknown. He said his staff were fine and that only a stretch of road outside the plant had suffered from "very small, local contamination."

The incident was none the less the worst in the former Soviet Union since the Chernobyl disaster of 1986.

Tomsk-7's two reactors which produce nuclear fuel from which uranium and plutonium are *derived, plus the chemical works* where components for nuclear weapons are developed, can be visited only with special permission.

Moscow is proposing to make Tomsk-7 the site of a national repository for plutonium from nuclear weapons dismantled *under arms reduction treaties*, and the US Congress has pledged $400m to fund such a facility. The incident is likely to put this plan into question.

The Russian authorities' main problem has been finding a location for the repository in the face



of opposition from potential host communities. But despite Tomsk-7's desire to open up to the out-

Continued on Page 16

Top Fiat executive faces corruption warrant

By Robert Graham in Rome and John Griffiths in London

FIAT, Italy's largest private company, was yesterday dragged deeper into the country's spreading corruption scandals when a cautionary warrant was issued by Milan magistrates against Mr Giorgio Garuzzo, Fiat's chief operating officer.

The warrant for alleged corruption relates to the activities of Iveco, Fiat's commercial vehicle subsidiary, and allegations of kick-backs on a Milan municipal bus contract.

Mr Garuzzo, number three in Fiat hierarchy after Mr Giovanni Agnelli, the chairman, and Mr Cesare Romiti, chief executive officer, last night told the Financial Times that the magistrates' action could be "very damaging to the Fiat Group in general and in particular Iveco, as our business is world-wide".

Speaking from an undisclosed address in London last night, Mr Garuzzo said he had been "most surprised" to hear about the warrant. "I can only think that, as has happened to a number of people recently, the Italian investigating authorities prefer to hear from persons after they have been arrested. "Only last Thursday [April 1], and again the following day, I specifically asked through my lawyer to be interviewed by the Public Prosecutor on aspects I could assist in of their investigation into the affairs of Iveco.

"I was told they were not interested, even though by Tuesday they had my request, in writing, to be heard."

Mr Garuzzo is the fifth Fiat executive executive to be caught up in the corruption investigations.

The legal moves against him means that the two key members of the younger generation of senior Fiat management, promoted in a shake-up to prepare for the departure next year of Mr Agnelli, have been implicated in the corruption scandals.

The other executive, Mr Francesco Paolo Mattioli, Fiat's chief financial officer, was arrested in February on charges of alleged corruption and illicit financing of political parties. He was released from custody last week but the charges were not dropped.

They relate to L1.8bn ($1.1m) paid by Cogefar-Impresit, Fiat's construction subsidiary, during the construction of the Milan metro. Last November Fiat management was split into two broad divisions under the overall command of Mr Romiti.

Mr Garuzzo, who has been with Fiat since 1976 and ran Iveco in 1984, assumed responsibility for Fiat's industrial operations, while Mr Mattioli looked after the financial side of the business.

Mr Garuzzo, aged 54, was seen within Fiat as the most likely successor to Mr Romiti. He is understood to have been in London on business for the past two or three days, would not comment on whether he would be returning immediately to Italy.

Wellcome attacks 'misleading' Aids trial as shares fall

By Paul Abrahams and Clive Cookson, in London

A ROW erupted yesterday between the Medical Research Council and Wellcome, the manufacturer of AZT, the Aids treatment, after the company attacked the council's decision to publish preliminary data about the medicine's effectiveness.

Mr John Robb, Wellcome's chief executive, said preliminary data from a trial published by the MRC last week were "misleading". He attacked the publication of the information in the medical journal The Lancet before it had been reviewed by other leading specialists.

Yesterday's attempt to reassure the market, which included briefings for city analysts, journalists and Aids activists, appeared to backfire as Wellcome's shares fell 23p to 698p.

Since last Friday's announcement of the Anglo-French Concorde trial, which claimed that AZT, Wellcome's second best-selling drug, did not delay the onset of Aids in asymptomatic HIV-positive patients, the share price has fallen by 8 per cent.

The MRC helped organise the trials. Wellcome told analysts and Aids pressure groups yesterday that further analysis from the trial would show AZT was effective. There was no question that the drug helped patients who developed Aids, it added. AZT had sales of £131m in the six months to February 1993.

The company's claims about the Concorde trial were refuted by Professor Ian Weller, its principal UK investigator, who said Wellcome was manipulating the data.

Professor Richard Peto, adviser to the Concorde study's clinical trials unit, added: "People should look at the numbers as presented by the investigators, not as presented by drug companies. If they do that, then it's clear these treatments are not of nearly as much value as originally hoped."

Dr Trevor Jones, Wellcome's director of research and development, insisted AZT was effective in slowing the onset of Aids. He said there were five studies other than the Concorde trial involving more than 3,000 patients – some lasting 2½ years – that demonstrated that death occurred half as often in asymptomatic patients using AZT.

"For the MRC to suggest AZT does not work on the basis of one study and then with only a few weeks of analysis – well I don't know why they're doing it," he said.

Dr Paul Fiddian, head of clinical virology at Wellcome, stressed the Concorde study's data was preliminary and not easy to read. Some trial patients on non-active dummy medicines had swapped during the middle of the trial, he said.

Analysis had also been complicated because some patients had rightly been given a new treatment that prevented a pneumonia that was the most common cause of death in Aids patients.

Dr Jones called on the MRC to publish the full analysis as soon as possible.

Mr Nick Partridge, chief executive of the Terrence Higgins Trust, the leading UK Aids charity, took the MRC's side in the developing dispute with Wellcome. He pointed out that the company had been very closely involved in the design and management of the Concorde trial.

"It seems disingenuous for Wellcome now to criticise the design and data analysis of a trial in which they were integrally involved," Mr Partridge said. "We already knew AZT was limited in its effects and this trial has clarified those limitations."

Medical authorities in the US have been more supportive of AZT than in Europe. Mr Mark Alampi, chief operations officer of Project Aids International, in Los Angeles, said the National Institute of Health "has been on a continuous campaign since last Friday telling people with HIV not to stop taking AZT".

French foreign minister Alain Juppé leaves the Elysée Palace after yesterday's weekly cabinet meeting. Earlier he reiterated the new French government's determination to renegotiate aspects of the agricultural trade agreement between the EC and the US

BMW to assemble cars in Vietnam from next year

By David Waller in Frankfurt and Victor Mallet in Bangkok

BMW, the German luxury car maker, plans to assemble cars in Vietnam from next year in a venture signalling the increased pace of the country's economic change.

The company has signed an agreement to set up a sales, parts and service network in Vietnam, and intends to assemble up to 200 cars a year.

Although the initial number of units is modest, Mr Bernd Wiegand, managing director for BMW Asia, said the decision was "strategic" and reflected the company's confidence in the development of Vietnam and the availability of qualified labour.

Manufacturing will be confined to the 316i and the 520i models, to be built from kits shipped from Germany. Some parts will be manufactured locally.

The venture is important in Vietnam's quest for foreign investment, backed by radical economic reforms as the country moves away from central planning and state control towards a market economy but hampered by a US embargo on doing business with the communist country and by poor infrastructure due to lack of funds.

Many foreign manufacturers are, however, attracted by a cheap and enthusiastic labour force and by the opportunities Vietnam is likely to present when the US ban, dating back to the Vietnam war, is fully lifted and funding from international financial institutions begins to flow.

The motor industry in Vietnam is in its infancy and the road network is badly in need of upgrading and repair. However, many Vietnamese have substantial savings in cash which could be used to buy vehicles as the economy grows and the infrastructure improves.

The agreement is with Vietnam Motors Corporation, a $10m joint venture 70 per cent owned by Columbian Motors of the Philippines – which assembles Japanese and South Korean cars in the Philippines – and 30 per cent by Hoa Binh, a state-owned bus manufacturer based in at Hanoi, northern Vietnam.

BMW has similar assembly agreements in Thailand, Uruguay, Malaysia and Indonesia, but it exports its cars directly to 115 other countries.

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Audi links with Porsche, Page 17

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PEACE AND WAR: A Serb shepherd woman watches over her flock during a lull in fighting but is forced to carry a gun while military, as well as political, manoeuvres continue in former Yugoslavia

Bosnia peace plan in serious trouble

The Vance-Owen proposal is the only show in town, but it may soon close, writes Robert Mauthner

THE Bosnian peace plan drawn up by Mr Cyrus Vance and Lord Owen is now in serious trouble, in spite of the absence of a viable alternative to end the conflict, according to a growing number of diplomatic observers.

The original strategy of the mediators, to isolate the Bosnian Serbs so that the full weight of international pressure could be focused on them to sign the peace agreement, has not, so far, had the desired results.

The fact that the Bosnian Moslems recently joined the Croats in endorsing the Vance-Owen plan has done little or nothing to persuade the Serbs to follow suit. Though their leader, Mr Radovan Karadzic, claims the Serbs are able to accept 80 per cent of its provisions, the plan has effectively been rejected by the self-styled Bosnian Serb parliament.

What the Bosnian Serbs want is modifications to the Vance-Owen map of the 10 semi-autonomous provinces into which Bosnia would be divided, which would not only give them more territory than the 43 per cent assigned to them, but ensure that some of it adjoins Serbia proper.

That is not only unacceptable to the Moslems, but the two mediators, who have done their best to ensure that Bosnia-Hercegovina will remain an independent state and that the Bosnian Serbs will not be given the opportunity to join up with the "motherland."

The most discouraging aspect is that President Slobodan Milosevic of Serbia, looked upon by Mr Vance and Lord Owen and most of the international community as the man who holds the key to the Bosnian conflict, has given only rare signs of putting his full weight behind the efforts to make Mr Karadzic sign.

The last time he really twisted Mr Karadzic's arm was at the end of January this year, when he forced him to sign the constitutional framework for Bosnia-Hercegovina, one of the four sections into which the peace plan is divided.

President Milosevic's most recent contribution to the peace process was when he pushed the Bosnian Serbs into agreeing to a ceasefire with the other warring parties, which is now 10 days old and has held in most areas except around Srebrenica in eastern Bosnia.

Mr Milosevic, however, does not seem to be ready to go the last mile. On the contrary, he is doing his best to sow dissension in the ranks of the western members of the United Nations Security Council by embarrassingly heaping praise on the US for its misgivings about the Vance-Owen plan and its alleged desire not to play "the world policeman."

That there are disagreements between the western allies, not to mention Russia, on how to handle the Bosnian crisis, has long been an open secret.

The Clinton administration from the very beginning made it plain that it did not think the Vance-Owen plan was either fair to the Moslems or that it offered a solution which could be implemented in practice.

At the same time, the US has all along made it clear it does not intend to act on its own in Bosnia and wants to co-ordinate its policies with its UN Security Council partners. It thus reluctantly gave its support to the Vance-Owen peace process, strongly supported by both the 10-nation European Community and Russia, and is struggling to find an acceptable compromise on what further sanctions to take against Serbia.

In deference to President Boris Yeltsin's domestic political difficulties, Mr Clinton is reported to have agreed to postpone a Security Council vote on tighter sanctions against Serbia, a traditional Russian ally and protegé, until after the planned Russian referendum on April 25.

Washington has also been obliged to rein in its enthusiasm for the selective lifting of the UN embargo on arms deliveries to the rump Yugoslavia, to help the Moslems. This is a measure that is strongly opposed not only by Russia, but by Britain and France, which fear that it would both intensify the war in Bosnia and increase the vulnerability of their troops on the ground under UN command.

In the words of Mr Douglas Hurd, the British foreign secretary, lifting the embargo on arms deliveries to the Moslems is more likely to create "a level killing field" than contributing to the level playing field in Bosnia talked about by the Americans.

The US, no more than Britain, France or Russia, is yet prepared to contemplate "direct military intervention" in the Bosnian conflict, which would be tantamount to sending vast numbers of troops to wage war against the Bosnian Serbs for an indefinite period.

If, however, the Vance-Owen process does not very soon demonstrate that a diplomatic solution is still on the cards, the calls for tougher military action are bound to increase, as they already have done following the humanitarian disaster in Srebrenica.

Renewed fighting feared between Moslems and Croats in the west

By Laura Silber in Mostar

COMMANDERS of the Moslem-led Bosnian army fear the eruption of renewed clashes with Croat forces in spite of pledges by both sides to support an international peace plan for Bosnia-Hercegovina.

Bosnian commander Humo Esad said this week that the fractured alliance would break down completely after the declaration last weekend of the Croatian Defence Council (HVO), the military wing of Bosnia's Croatian Democratic Union, the sister of the ruling party of Croatia.

The HVO set an April 15 deadline for Moslem forces to withdraw from provinces designated to Croat control under the peace plan of Mr Cyrus Vance and Lord Owen, United Nations mediators.

"We are ready to fight if we must. But it will be a dangerous political game for Croats to play now," said Cmdr Esad, who believes the HVO statement makes renewed clashes inevitable in central Bosnia.

The HVO declaration means they want Cmdr Esad and his men to withdraw from Mostar, even though it is their home town.

"They may try to assert control in the smaller towns rather than risk fighting in Mostar," he said of Bosnia's second-biggest city which over the last year of war has shrunk to some 30,000 people, many Moslem refugees from Serb and Croat-held territory.

Some 50,000 fled the once picturesque southern city on the banks of the River Neretva, where Moslems comprised 41 per cent, Croats 39 per cent and Serbs under 20 per cent.

'Serbs are kicking down the front door and Croats are sneaking in the back,' said a Moslem soldier

Western diplomats believe renewed fighting between Moslem and Croat forces could deal a death blow to the Vance-Owen plan. "We will find out in the next few days," said a diplomat this week.

Under the international peace plan, endorsed by Mr Alija Izetbegovic, Bosnia's Moslem President, and Mr Mate Boban, the Croat nationalist leader, Mostar is one of three provinces which would be designated to Croat control. Bosnian Serb leader Radovan Karadzic at the weekend rejected the plan to divide Bosnia into 10 ethnic provinces despite threats of stepped-up sanctions.

Mr Boban, like Mr Karadzic, his Serbian counterpart, last year declared his own national mini-state of Herceg-Bosna.

"The HVO wants to unite with Croatia. They have the same uniforms, badges and symbols. Every day there is more proof of what they are doing here," says Cmdr Esad.

The red-and-white checkerboard Croatian symbol is emblazoned on flags and number plates throughout Mostar except in the ruined centre, where the blue and yellow fleur-de-lys marks Bosnian government control. The Croatian dinar is the most-used local currency. The HVO has added influence over the Bosnian forces because they control five of the power stations on the River Neretva.

Cmdr Esad, the second in command in Mostar, says the Croats have constantly blocked the delivery of weapons to the mostly Moslem Bosnian forces and emergency relief to Moslem refugees.

"The regular Croatian Army takes 50 per cent. The HVO then takes another 50 per cent – leaving us with next to nothing," he said bitterly. The stormy alliance collapsed but in January was patched up under a ceasefire brokered by Mr Vance and Lord Owen.

Despite the truce, the outgunned Moslems are gloomy about the prospects for peace with the Croats and the Serbs. "Serbs are kicking down the front door and the Croats sneaking in the back," said a Bosnian soldier.

Some western diplomats fear that the failure of the international community to stop the bloodshed in Bosnia has emboldened Serb and Croat nationalists to make their land grab in Bosnia. "The Croat and Serb share a common contempt for Moslems and plan to carve up Bosnia-Hercegovina," says one.

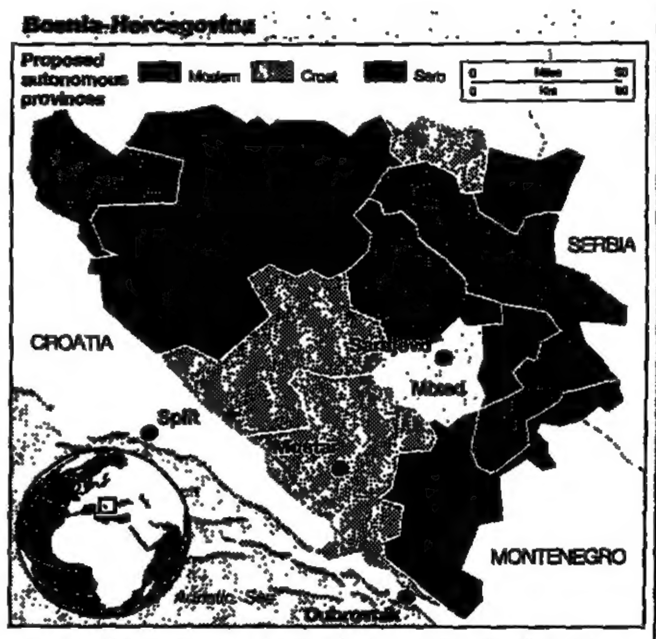
Mr Jadranko Prlic, acting prime minister of the self-styled Croat state, claims "Moslems expected too much of Croats", smallest of Bosnia's three main ethnic groups. "Who can expect Croats, who make up just 17 per cent of the population, can deliver a free Bosnia-Hercegovina to the Moslems?" he asks.

Serb forces from the surrounding hills last year bombarded the now blackened town in which most buildings in the old Turkish centre have been razed. Bosnian forces, backed by Croat troops, drove Serb fighters out in June.

"In a few days there will be a war between the HVO and the Bosnian army," said an electrician, a Croat who, fearing reprisal, spoke on condition of anonymity. Like many, he described the war in Bosnia as a rural-urban conflict.

"I am going to fight with the Bosnian army. This is my city and I have nowhere else to go. The Croats want to rule Mostar, but they have the villages in the hills," he said.

Bosnia-Hercegovina



Industrial rescuers proposed for Russia

By David Dodwell and Anthony Robinson

JAPAN is to suggest sending teams of industrial "troubleshooters" to transform selected former Soviet enterprises into model factories. Tokyo will raise this idea when it hosts a meeting of trade and industry ministers from east and west this month.

The troubleshooters would be at the heart of a five-point action programme to include enterprise reform, conversion of defence industries, trade promotion, encouragement of foreign investment, and technology transfer, said Mr Kunio Moriyaki, director-general of the Japanese ministry of international trade and industry's international trade policy bureau, in London yesterday.

He is preparing a summit in Tokyo on April 24-25 of trade, industry and economy ministers from the Group of Seven industrial countries and eight east European and former Soviet states, together with multilateral lending agencies. This gathering is to follow the meeting next week of G7 foreign and finance ministers, also in Tokyo, and will focus on "micro-level aspects" of the problems faced by the former Soviet states in transition to market economies.

He fears that without a clear strategy for tackling grassroots economic problems, macro-level aid packages like the $10bn-$20bn one expected to be approved by G7 ministers in Tokyo next week might achieve little.

"Without a clear cut micro-level approach, pouring money into the region will not ensure successful enhancement of economic benefit," Mr Moriyaki said.

The Japanese will propose that troubleshooting teams from western companies and consultants work in selected enterprises for several months. They would help to establish comprehensive corporate strategies, identify equipment and skill needs, instil higher standards of cost-consciousness and efficiency, and pinpoint the factory's most marketable and exportable products.

Robert Thomson adds from Tokyo: Mr Kabun Muto, Japan's newly appointed foreign minister, said yesterday that as G7 summit host next week he would work for a fresh package of aid for Russia. However, Tokyo would continue to link help for Russian reforms to the dispute over the Kurile Islands.

UN to admit Macedonia

By Kerin Hope in Athens

THE UN Security Council yesterday ended weeks of argument over Macedonia's application for UN membership, agreeing without a vote to recommend admission. The General Assembly is due to approve a formal resolution today. The new member will be known as the Former Yugoslav Republic of Macedonia.

Mr Cyrus Vance and Lord Owen, the UN and EC mediators, will try to resolve continuing differences between Greece and the new member.

EC opens postal services inquiry

By Andrew Hill in Brussels

SEVEN European postal services, including the British Post Office came under pressure from the European Commission yesterday to improve the fairness and transparency of their charges, following complaints that they are stifling competition from private operators.

Brussels said it had opened a formal inquiry into allegations that national postal services in Germany, Belgium, France, Finland, Sweden, Switzerland and Britain are deliberately hampering the "remailing" of bulk mail by private couriers.

The announcement comes only a month before EC telecommunications ministers are to discuss the outcome of consultations on the Commission's outline plan for further liberalisation of EC postal services.

The International Express Couriers' Conference (IECC) complained to Brussels that postal authorities had changed the way they charge for remailed items, which couriers are paid to collect from large clients and deliver in countries where tariffs are lower.

In particular, the IECC said national administrations had begun to charge for each item, rather than for the weight of the whole delivery. It also said mail posted outside the country where the sender was based was often returned or subjected to additional charges.

Mr Karel Van Miert, EC competition commissioner, said he hoped the complaint could be resolved in the context of debates over the liberalisation plans. Commission officials said yesterday that postal administrations had already begun work on making their costs, and thus the calculation of their fees, more transparent.

"Before adopting a definitive decision about this complaint, the Commission will take into account the development of work already under way and, in particular, the attitude postal administrations are adopting about the structure of their charges," the Commission said in a statement.

● Unemployment in the EC rose to 10.1 per cent in February for the first time since the fourth quarter of 1987, the EC statistics office Eurostat said on Wednesday.

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Italy's bank chief hints at recovery

By Robert Graham in Rome

MR Carlo Azelgio Ciampi, governor of the Bank of Italy, yesterday threw his weight behind a gathering consensus that the Italian economy was beginning to show the first modest signs of recovery.

The governor's comments, made during a public lecture, were hedged by caution. Nevertheless, they reflect the view held by Confindustria, the industrialists' association, that order books have begun to improve and the economy is benefiting from a surge in exports as a result of last September's devaluation.

Mr Ciampi observed: "The results in terms of prices, of labour costs and of foreign trade confirm the opportunity our economy has - and which it has begun to grasp."

The economy is scheduled to grow 0.5 per cent this year. But if the modest recovery becomes more sustained and interest rates move further downward, the growth rate could increase - despite the problems created by Italy's political crisis and corruption scandals.

Mr Ciampi insisted the weakness of the lira, which has touched L1,000 against the D-Mark and depressed prices in the bond market, was the result of political uncertainties more than economic fundamentals. "In recent days the bond market and the lira have been hit by uncertainties due to doubts about the political situation, not a worsening of domestic or international economic conditions."

The Bank of Italy has on several occasions maintained that the lira at its current parity of close to L1,000 to the D-Mark is under-valued. However, exporters have begun to take advantage of the historic opportunity presented by a devaluation of almost 30 per cent, accompanied by inflation running at an annualised 4.2 per cent.

Export figures for February for non-EC countries showed a 25 per cent rise over the same period the previous year. The rise of non-EC exports, which account for 40 per cent of the total, combined with a decline in imports, ensured the trade deficit in the first two months of the year was L626bn (£260m) compared with L2,500bn a year ago.

Because of the EC's new customs procedures introduced in January, Community trade figures are still not known. However, the level of Italian exports is understood to have begun to concern the Germans and French. At the same time a study prepared for the trade unions showed wages were lagging well behind inflation. In 1992 wages grew on average at 4.7 per cent against inflation of 5.4 per cent. In the public sector wages grew at only 2.2 per cent.

Bank of France may announce interest rate cuts

By James Blitz, Economics Staff

FRENCH franc money market rates continued to fall sharply yesterday amid expectations that the Bank of France might cut its official interest rates today.

The cost of borrowing French francs for three months eased from about 9.5 per cent at the start of the day to around 9 per cent by the close of trading in London.

Dealers said this was the lowest level at which 3-month French franc interest rates had been since November of last year.

The fall in French money market rates came in spite of a smaller reduction than had been expected in the cost of borrowing wholesale funds from the Bundesbank.

The German central bank announced yesterday that the lowest accepted repo rate for 14 days was at 8.13 per cent, and that it was at 8.15 per cent for 35-day funds. The market had been expecting the repo rate to be cut down to 8.10 per cent or even lower.

Despite the smaller-than-expected cut, the French franc continued to strengthen against the D-Mark, closing at FFr3.3834 in London from a previous FFr3.3840.

Both the Belgian and Dutch central banks announced small cuts in their official rates in the wake of the move by the Bundesbank.

Belgium's central bank cut its central money market rate to 7.9 per cent from 8 per cent, and the Dutch central bank cut its special advances rate to the same level.

The reduction in French money market rates brought the spread between 3-month French francs and 3-month D-Marks down to around 1.2 percentage points yesterday. It had been as high as 4 percentage points at the peak of the last two attacks on the French currency.

Germany awaits ruling on Nato role

By Ariane Genillard in Bonn

GERMANY'S constitutional court yesterday failed to diffuse mounting tensions in the coalition government after it adjourned proceedings without a ruling on the legality of German military participation in the enforcement of the no-fly zone over Bosnia.

Constitutional judges in Karlsruhe will meet again today to debate the appeal made by liberal Free Democrats (FDP), the junior party in the coalition, against an earlier cabinet decision for Germans to fly Nato missions in Awacs surveillance aircraft once the United Nations no-fly zone is enforced.

Germans make up as much as a third of some of the multinational crews. Their removal would lessen the effectiveness of the Awacs fleet, which will be at the heart of Nato's monitoring operation over Bosnian airspace.

The judges are expected to rule today only on the validity of an interim injunction requested by the FDP. If they issue the injunction, it would prevent German participation until the court rules on whether involvement in such enforcement missions violates a vague constitutional ban on German military participation in combat operations outside of the Nato area.

Chancellor Kohl and the ruling Christian Democrats, eager for Germany to play a greater international role, argue that article 24 of the constitution allows for military participation alongside the UN.

If the court agrees to hear the appeal, it could take months before they rule on it, Mr Gotthard Wehrmann, the court spokesman said.

The court's failure to come to a prompt decision yesterday led to bitter recriminations from FDP politicians. Mr Hermann-Otto Solms, parliamentary leader for the FDP, said that the coalition could be jeopardised if the court refused to hear the full constitutional case brought by the FDP.

The FDP has said it supported in principle a greater German military role in the former Yugoslavia, but demanded constitutional clarification on the involvement of German forces. The move, which allows the FDP to both support the government's overall policy but sue against a specific cabinet decision, has been widely criticised.

German defence minister Volker Rühe (left), Bundeswehr general Klaus Maumann and foreign minister Klaus Kinkel, at the court hearing in Karlsruhe yesterday which will decide whether military involvement in Bosnia would be constitutional

Danes call for EC energy tax moves

DENMARK is pressing for the European Community to take a political decision to move forward with a carbon tax in June, before the end of its six-month presidency, writes George Graham in Washington.

Mr Svend Auken, Denmark's environment minister, said the new US administration's decision to levy an additional tax on energy offered "a unique chance to speed things up" in the effort to reduce global carbon dioxide emissions.

EC officials acknowledge, however, that they are unlikely to persuade Britain to go along with the energy tax, and are looking for a declaration of principle, with details to be worked out later.

Six countries - Germany, Italy, Denmark, Belgium, Luxembourg and the Netherlands - have backed the proposed carbon tax, while France, Portugal, Greece and Ireland have expressed concerns about how the burden will be shared. Only Spain and the UK are firmly opposed to it.

EC officials said, however, that they believed Spain could be won over.

Industry sees 2.4% growth in Japan

By Robert Thomson in Tokyo

JAPAN'S Economic Planning Agency said a survey of leading industrial companies found that most expect the Japanese economy to grow by about 2.4 per cent this fiscal year - well below the official government forecast of 3.3 per cent.

The survey of 1,882 non-financial companies listed on the country's three largest stock exchanges also found that only 2.5 per cent have resorted to early retirement schemes or dismissed workers as part of their cost-cutting programmes.

Export-oriented manufacturers told the EPA that an exchange rate of Y124 to the US dollar was about the break-even point for their companies, though the Japanese currency has traded as low as Y113.30 over the past week and hovered around the Y114 level on the Tokyo foreign exchange market yesterday.

Mr Yasushi Mieno, governor of the Bank of Japan, speaking after a meeting of regional branch managers of his bank, said there was no good economic reason for the sudden rise in the yen, as a recovery was unlikely until late this year.

However, he cited an apparent lift in corporate confidence in recent weeks as a good sign for economic activity, which has been restrained by executives' generally gloomy expectations for consumer demand and capital spending this year.

The EPA said companies responding to its survey planned to increase capital spending by an annual average of 2.8 per cent over the next three years – over the past three years, annual growth has averaged 10.5 per cent.

EPA officials said Japanese companies did not want to lay off workers, but clearly believed they were carrying excess staff, notably middle-aged managers. About 67 per cent of companies said they had too many administrative staff, while 34.6 per cent claim to have too many managers in technical divisions.

Subsidies urged for computer workers

By Michiyo Nakamoto in Tokyo

JAPAN'S computer makers are to seek government employment subsidies, underlining the severity of the downturn in the country's high technology industries.

The Japan Electronic Industry Development Association, representing 198 companies, is to ask the Ministry of Labour for help under its employment assistance programme. This provides funds to companies in designated industries where production cuts have made it harder to keep workers in employment.

The scheme, which was started in 1974, is intended to help prevent unemployment and is funded by Japan's unemployment insurance, which is compulsory.

Companies belonging to one of the designated industries can apply for aid to re-train employees, transfer them to subsidiaries or other parts of the business or simply to pay staff while a factory is temporarily closed. To do so, they must provide the authorities with a convincing plan of how they intend to use the money.

The Labour Ministry has recognised 119 sectors, from steel mills to vehicle body manufacturers, as industries qualifying for employment assistance.

For the computer industry, however, which is applying for the first time, the need for such assistance is a clear sign of the difficult times ahead for the industry.

Japan's computer output dropped 10.2 per cent last year to Y5,460bn (£32bn) in value, and the association is expecting the level to be about the same this year. It has been suffering a sharp fall in orders as Japanese companies, particularly in the financial sector, have scaled back investment.

Consumers also held back from purchases towards the end of last year in the face of an intense price war, according to Dataquest, the high technology consultancy.

Striking medical workers, rallying outside the Tokyo Women's Medical College yesterday, called for higher wages and the recruitment of more nurses. The rally was part of nationwide action by 170,000 nurses and other health employees.

Share prices bubble again

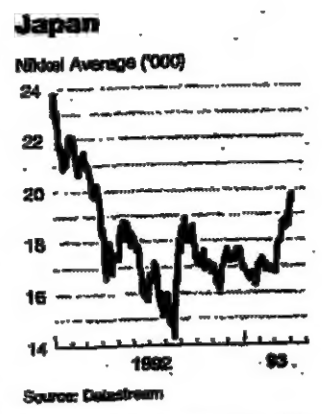
By Emiko Terazono in Tokyo

HECTIC TRADING and bristling confidence in recent weeks on the Tokyo stock exchange have brought back memories of the "bubble" days of the late 1980s.

The Nikkei average, which measures Tokyo stock prices, touched 20,000 yesterday for the first time since March last year, prompting Mr Kazuo Tamayama, an investment strategist, to describe the unexpected rise as "a mini-bubble". The Nikkei closed at 19,829.23 yesterday, up 342.43 on the day and 38 per cent above its low in August.

Interest rates are low, and there is even talk of support for land prices. The economic backdrop is, however, reminiscent of the earlier 1980s, when exporting companies were hit with a higher yen, interest rates were at historical lows, and the government introduced a Y6,000bn (£35bn) emergency economic package.

The official discount rate



was cut to 2.5 per cent in February, and the government will announce yet another emergency package next week.

A report released this week by the Ministry of Finance, defines a "bubble" as a sharp dissociation between the theoretical and actual values of assets. The report reflects the reasons for the surge in asset values in the 1980s, although it is unclear if the ministry would define the recent highs reached on the Tokyo market as "actual" or "theoretical".

Even though corporate profits are falling while price/earnings ratios have reached levels unseen since the bubble years, brokers insist the market rise is completely rational. Mr Chisato Haganuma, strategist at Nomura Securities, says: "The stock market is discounting the future recovery in corporate earnings," although he adds that profits at companies may not see a full fledged rise for three to four years.

Such reasoning does not make much difference to investors in search of investments offering high returns. Money market interest rates have fallen sharply, while the bond market has peaked, losing 40 per cent in the last two weeks.

Politicians are playing a role in talking up stock prices, and are even encouraging a rise in land prices, another bubble feature. Mr Hiroshi Mitsuzuka, head of the ruling Liberal Democratic party's team working on the economic package, wants public funds to be pumped into the property sector for advance purchase of land for public works projects. He also suggested that the package should include assistance for ailing banks through supporting property prices.

Meanwhile, Japanese newspapers are cheering on stock prices, and highlighting every "green shoot" of economic recovery. But capital spending is still falling, job opportunities are contracting, and consumer demand is still very weak.

Mr Yasushi Mieno, governor of the Bank of Japan, yesterday expressed concern at the rapid rise of share prices, saying the stock market should reflect corporate earnings.

But some suspect that the Finance Ministry has developed a fondness for bubbles, believing that a surge in asset prices is the only prescription for the economy, wobbling under the heavy burdens inherited from the collapse of the last bubble.

India acts to boost credit to industry

THE Reserve Bank of India yesterday announced a cut in the reserve requirements of commercial banks to help boost credit to industry, Reuter reports from Bombay. However, the central bank left the key minimum lending rate unchanged at 17 per cent.

Mr Chakravarty Rangarajan, the bank's governor, said the statutory liquidity ratio of commercial banks would be lowered by 1 percentage point to 36.75 per cent. The banks' cash reserve ratio would be cut by 1 point to 14 per cent.

Mr Rangarajan was announcing the central bank's credit policy for the first six months of the 1993-94 fiscal year.

He said the cuts in the two reserve requirements would make an additional Rs49.5bn (£1.05bn) available for lending.

"The hesitant industrial recovery in 1992-93 must be converted into a strong revival in 1993-94," the governor said. "Adequate availability of credit will be critical in converting the weak industrial recovery into a strong revival."

Some bankers and businessmen had expected a further cut in minimum lending rate, which was reduced by 1 point to 17 per cent in February.

R.C.Murthy, in Bombay, adds: The central bank also announced restrictions would be lifted on some interest rates in an effort to encourage inflows of foreign currency.

Lending rate curbs are scrapped for rupee funds issued against foreign currency deposits. In exchange, banks will have to absorb exchange rate fluctuation risk, which is currently borne by the Reserve Bank.

The scheme is optional, which means restrictions will stay if banks choose not to take on the exchange rate risk. Analysts say the scheme would be attractive to foreign banks, which have to invest 37.5 per cent of their deposits in low-yield government bonds and to earmark 15 per cent of their loans to small businesses and exports at fixed interest rates.

Mitsubishi and Aiwa to expand in S E Asia

By Michiyo Nakamoto

MITSUBISHI Motors, the car manufacturer, and Aiwa, the electronics manufacturer, are to increase production in south-east Asia. The announcement yesterday highlights a trend among Japanese companies to move production to the region.

Mitsubishi Motors said it would expand capacity at its plants in Malaysia and Thailand, while Aiwa said it would increase investment in Malaysia and Singapore.

The moves reflect the two companies' expectations of substantial growth in the south-east Asian market in coming years. However, it will also help both companies overcome pressures on their profits. Their industries have been most severely hurt by the domestic Japanese slump and the rise of the yen.

Mitsubishi is expanding annual capacity in Malaysia from 120,000 to 150,000 vehicles. In Thailand, it is plannig to raise capacity from 30,000 to 100,000 by 1995.

Aiwa, which expects to see pre-tax profits fall by 40-50 per cent in the year to March, is planning to increase production in Singapore where it will expand its three factories.

Khmer Rouge defiant to the very last

By Victor Mallet in Bangkok

CAMPAIGNING for next month's UN-sponsored election in Cambodia began on an ominous note yesterday when the extreme left-wing Khmer Rouge guerrilla group publicly reaffirmed its opposition to the poll and said it would not respect the result.

The Khmer Rouge made its announcement as Mr Boutros Boutros Ghali, the UN secretary-general, arrived in Phnom Penh to give his backing to one of the largest and most expensive peacekeeping operations in UN history.

In Brussels, the European Community expressed concern about repeated ceasefire violations in Cambodia. Peace and security, without intimidation were needed for the elections, the EC said. It urged all parties to accept the outcome.

The Khmer Rouge, which has refused to abide by the peace accord signed by its leaders and those of the other Cambodian factions in Paris in October 1991, is not among the 20 political parties taking part in the May 23-27 elections and is suspected of planning to disrupt the voting.

Mr Mak Ben, a Khmer Rouge spokesman, declined to give a direct answer when asked if his organisation would disrupt the poll, saying only that it went "against the spirit and letter of the Paris agreement".

"It it is violation of the UN charter. It goes against the sacred right of self-determination of the Cambodian people. . . We will never accept the result of the election that will give legitimacy or a cloak of legitimacy to the Vietnamese occupation of Cambodia."

Prince Sihanouk (left) shares a joke with UN secretary-general Boutros Boutros Ghali in the run-up to the Cambodian election

The Paris agreement specifically provides for the election and commits the signatories to respect the results, but the Khmer Rouge has repeatedly complained that Vietnamese troops remain in Cambodia in violation of the agreement. Vietnam invaded Cambodia in 1978, overthrowing the brutal Khmer Rouge regime and installing the present administration in Phnom Penh.

The UN's 22,000 military and civilian personnel have been unable to prevent an upsurge in violence as the elections approach. Last month more than 100 people were killed, many of them Vietnamese migrant fishermen massacred by gunmen thought to be members of the Khmer Rouge. Only last week three Bulgarian UN soldiers were killed by Khmer Rouge guerrillas they had invited to supper.

Kazakhs move slowly to negotiate deals that will unlock their riches

Steve LeVine on an ex-Soviet republic with multi-billion dollar resources

KAZAKHSTAN, with some of the world's richest oil, natural gas and mineral reserves, has a rosier economic outlook than most of its former Soviet compatriots. Unless it deliberately botches the job, the central Asian republic is destined to be rich.

Kazakhstan and its western business partners are engaged in painstaking talks on two multi-billion-dollar oil and natural gas deals that are bound to trigger an economic boom.

And the republic and foreign bankers are debating how, in a five- or six-year transition, to make the expansion sustained and broad.

Until the negotiations and debate are resolved, Kazakhstan – starting from scratch in creating a market-oriented economy – will not have the hard cash it needs to begin turning around its struggling, inflationary economy.

"The Kazakhs are trying very hard to get it right," said a western diplomat in the Kazakh capital of Alma Ata. "They're not prepared to do deals where in 10 years they're left with nothing. Nor should they be. They hesitate a little, because they feel they don't have the expertise to deal with these very large, very clever western companies."

Since the Soviet Union broke up more than a year ago, Kazakhstan has attracted a lot of attention because of the Baikonur space centre, from which flights were launched, and the Semipalatinsk nuclear-weapons testing facility.

These, plus its natural resources, nuclear arsenal and geographic position – sandwiched between Russia, China and the rest of central Asia – have given the republic of 17m people political status in and out of the Commonwealth of Independent States.

In this role the Kazakh president, Mr Nursultan Nazarbayev, has been a leading advocate of restoration of economic links among the ex-Soviet republics, and a moderate voice on nuclear issues.

Kazakhstan's prospects are immediately hinged on two deals currently in negotiation. Chevron, the fourth largest US oil company, is bidding to develop the Tengiz oil field which, with at least 6bn-9bn barrels of recoverable reserves, is in the same league as Saudi Arabia's largest.

The deal would pump an initial $1.5bn into the Kazakh economy over the next three years, and could be worth $20bn over 40 years. At the same time, British Gas and Italy's Agip are negotiating to develop the Karachaganak field, which contains 20,000bn cubic feet of natural gas, plus 2bn barrels of oil and condensate. This deal involves $6bn in investment in the first decade.

Kazakhstan also possesses substantial chromium, gold, silver, zinc, lead and iron ore deposits. The republic mined 130m tonnes of coal in 1991, a quarter of the Soviet total, and last year exported 10m tonnes of wheat.

The government is also starting to examine bids on a $100m deal to refurbish a huge cigarette factory in Alma Ata and revitalise Kazakhstan's tobacco crop. The bidding is among the same three companies warring across Europe

– British-American Tobacco, RJR Nabisco and Philip Morris.

Meanwhile, however, Kazakhstan is largely stagnated in its Soviet past, and is moving only slowly to consummate the deals and begin its predicted ascent. Both the Chevron and British Gas-Agip agreements – complex negotiations involving installation of basic infrastructure in remote, backward regions as well as a huge build-up of extraction technology – were supposed to be completed by April 1.

Neither is likely to be soon, say government officials. "Karachaganak won't be finished before October," Mr Galiausat Keshubayev, the energy ministry's head of foreign relations, says of the British Gas-Agip negotiations.

For now the republic, about the size of western Europe, is in economic collapse. The economy shrank 14 per cent last year after a 10 per cent fall in 1991. Inflation was 2,500 per cent in 1992 and real wages fell 20-30 per cent. The government says the 1993 unfinanced budget deficit will be Rbs182.9m, or 7.9 per cent of gross domestic product.

The inflation rate, still raging at 25-35 per cent a month, particularly worries international bankers. Almost all of it is pinned to Russia's hyperinflation, largely through the rouble's plummeting value and the spiralling price of goods imported from Kazakhstan's northern neighbour.

Budgetary pressure is intensified by Mr Nazarbayev's policy of containing the social costs of the economic collapse. A delicate population balance, for one, complicates his decisions: Kazakhs and ethnic Russians each make up about 40 per cent of the population, and Mr Nazarbayev is trying carefully not to antagonise either.

In conservative Central Asia, he is also intent on limiting the kind of economic upheaval that has rocked Russia. To keep Kazakhs working – there are just 80,000 officially unemployed – the president is subsidising state factories; thus far, there has been no attempt to target unprofitable factories for closure.

With what he calls an "anti-crisis programme", Mr Nazarbayev also has established a safety net in which 3m people, mostly pensioners and war veterans, are receiving a monthly income of Rbs3,000, Rbs500 above the minimum wage.

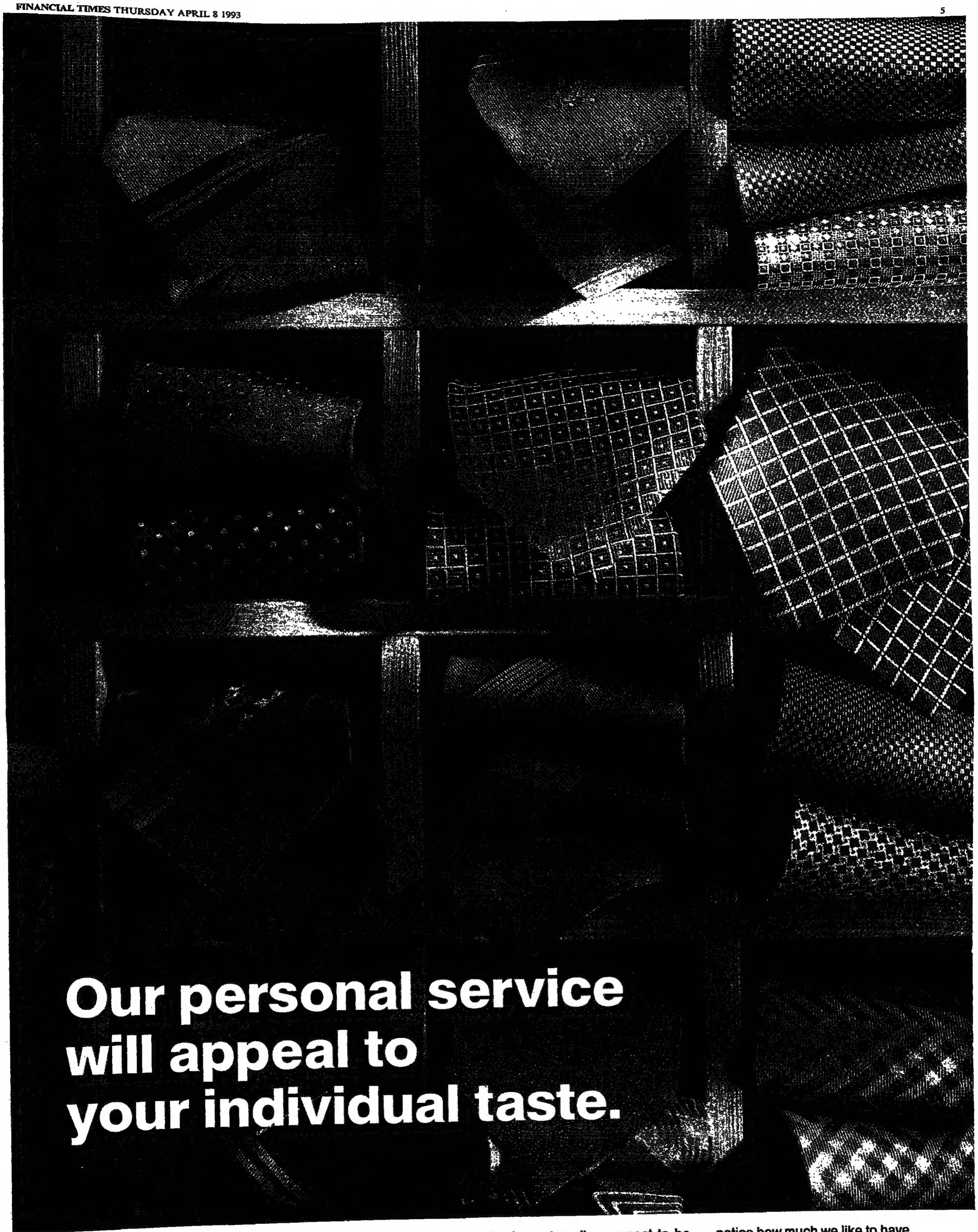
The key problem now is with the International Monetary Fund. After 18 months of talks, the IMF is stalling up to $700m in assistance, mostly over the fund's belief that Kazakhstan should leave the rouble zone and establish its own currency.

IMF reasoning is that, with little prospect of Russia managing inflation, other republics in the rouble zone stand little chance of taking control of their own economies. Thus, the IMF's strict economic targets would be hard to meet, and Kazakhstan would also be hard-pressed to repay its debts.

Kazakhstan, however, though conceptually agreeing with the fund, is worried about supporting a currency: it has few reserves, and there is no guarantee that a Kazakh currency would be stronger than the rouble.

The chances are that the republic will not bend to the IMF's will on the currency issue at least for the next few months, says Mr Oraz Jandosov, deputy economics minister and one of the president's leading economic architects. So Kazakhstan will probably be left for now without the cash to finance the deficit and begin fundamentals such as building basic infrastructure.

Together, the problems make the coming years look rocky. "This country has great potential," says a foreign banker. "But you're looking at five or six years of transition before you get there."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LA braced for more mayhem over beating

By Louise Kehoe in San Francisco

LOS ANGELES is bracing itself for renewed violence as the second trial of four police officers involved in the beating of Mr Rodney King, a black motorist, draws to a close.

Last year, their acquittal in a state court on charges of assault and use of excessive force in a beating video-taped by a bystander and shown on television worldwide, set off three days of rioting in the city, claimed more than 50 lives and resulted in damage estimated at $2bn.

Tomorrow, a jury is expected to begin its deliberations in the new trial, in a federal court. This has lasted six weeks. The policemen are accused of having violated Mr King's civil rights by failing to protect him.

Mr Tom Bradley, Los Angeles mayor, and Mr Willie Williams, city police chief, have appealed for calm and said that the police department is now better prepared to deal with potential violence than when the riots broke out.

However, tension is rising. The Los Angeles Times reported this week that the national guard had moved armoured vehicles into the area "to facilitate a rapid response" and that the city police department, the Los Angeles county sheriff's department, the California highway patrol and other agencies had trained to contain violence "in case disturbances break out again."

On Sunday, a televised "town meeting" drew repudiations of the criminal justice system from participants who claimed that minorities still face discrimination from police, prosecutors and judges. "We have been told to respect the justice system but injustice has been perpetrated on us," said Mr Danny Bakewell, president of the Brotherhood Crusade, a charity group in south central Los Angeles, an area devastated by the riots. "We are not going to allow our people to be abused any longer."

Fears of renewed rioting have been heightened by rumours that gangs will invade suburban homes and businesses, although officials say these stories are based on boasts of a few gang members. Even so, gun sales are reported to have risen more than 30 per cent in recent weeks.

A Los Angeles youth walks past graffiti with the names of the police officers involved in the Rodney King case crossed out

Inner-city phoenix is slow to rise

George Graham chronicles the attempts to revive small businesses in the wake of last year's riots

IN THE inner city of Los Angeles, the credit crunch which many US small businesses complain about takes on a different form.

Many businessmen – under the shadow of last year's riots, and amid fears of more to follow – believe that banks may remain reluctant to lend in the inner city and that scarcity of capital will prevent them catching the rising tide when southern California eventually emerges from recession.

Also, many Los Angeles banks complain that the shortage is not so much of bank capital as of qualified borrowers with sound proposals for commercial loans.

Founders National Bank, the only black-owned bank in California, sits in the middle. Set up two years ago from the remains of a failed savings and loan institution, Founders has been able to attract new capital in the wake of riots.

Arco, the Los Angeles-based oil and gas group, has invested $1m in the bank. Bank of America sold Founders two of its branches in south central Los Angeles, taking payment in Founders preferred stock and capital notes.

Mr Carlton Jenkins, Founders managing director, says he can turn these stakes into 15 times as much investment in the south central community where he grew up. He hopes to announce other investors shortly.

"We have just tried to be a good model of corporate creativity and show by example that you can do business in the inner city and make money," he says, noting that Founders made a $1m profit in its first year and will report one of about $1.3m for 1992.

But Mr Jenkins notes wryly that his own business has had no luck with traditional sources of finance such as investment banks or pension funds.

"I still don't have any investment bankers knocking on the door. I think it is principally because my little bank sits in the inner city," he says.

Finding sources of finance remains a problem for business people in the inner city. "We have a lot of entrepreneurs who are at a level that, with a good shot of capital and a bit of 'mentoring', they could take one of these chicken restaurants we have and turn it into a chain," says Mr Jenkins.

Rebuild LA, a private sector task force set up after the riots last year to try to help spur investment and economic development in the more depressed areas of Los Angeles, hopes to meet a part of this need by setting up an equity fund to make investments of between $250,000 and $1m in expanding businesses.

Dr Kathleen Connell, an academic and investment banker who chairs RLA's business investment task force, hopes to raise $10m. With backing from the federal Small Business Administration, that could turn into a $40m pool. The fund is expected to be ready for launch in June.

One side effect of the fund may be to remove an excuse for financial institutions which say they would really like to invest in the inner city but somehow never quite get around to it.

"They all say they are looking for the vehicle. We are going to give them the vehicle," says Dr Connell.

As important, however, may be the need for much smaller capital injections to bring people with entrepreneurial potential into the formal economy – for example, to help an illegal street vendor buy a shop.

Finance at this level can be difficult for a bank to take on. A recent survey of minority-owned banks doing business in riot-affected areas of Los Angeles showed that most complained of unsophisticated borrowers with inadequate financial statements, non-existent business plans, limited borrower's equity and a lack of financial guarantees.

Disney, the entertainment group, has undertaken a project in Los Angeles providing loans of less than $20,000, at interest rates below 5 per cent over five years, to small entrepreneurs without collateral.

The loan funds are administered by Los Angeles Renaissance, a programme run by the First African Methodist Episcopal Church in south central Los Angeles.

Some of the city's Asian communities have well-established networks for informal financing, but Dr Connell says this form of silent capital does not exist to the same extent in the black or Hispanic communities.

However, Mr Greg Hightower, who was able to secure finance to buy a cleaning business on south central's Crenshaw Boulevard when the former owner moved out after the riots, considers himself living proof that the money is there if you look hard enough.

"It's not like it's Battle Creek, Michigan – there's a lot of money out there," he says. "You're in Los Angeles. If you just keep spreading the word, you might get lucky."

Argentine debt crisis ends with bank deal

By John Barham in Buenos Aires

ARGENTINA'S 11-year foreign debt crisis was formally ended yesterday by the signing of a debt reduction plan with creditor banks in New York. The government calculates the agreement will reduce by a third the burden of servicing $19.29bn in debt principal.

The debt reduction mechanism, similar to that for other Latin American countries, was devised by Mr Nicholas Brady, former US treasury secretary. Under this formula banks, concede a debt reduction in exchange for bonds collateralised by US Treasury zero coupon bonds.

Argentina yesterday handed the banks $16.97bn in so-called Brady bonds and banks transferred foreign debt certificates covering principal and a further $8.3bn in interest arrears. Arrears are covered by separate 12-year floating rate bonds which are not backed by collateral.

The 30-year Brady bonds come in two varieties, allowing banks to choose between preserving principal or interest. Par bonds represent the full value of debt principal but pay low, fixed interest of 4 per cent a year, gradually rising to a maximum 6 per cent in seven years' time. Discount bonds represent only 65 per cent of principal, but pay floating interest of 13/16 per cent over Libor.

Falling US interest rates had made par bonds far more attractive than discount bonds. The banks originally took up only $4.31bn of discount bonds, against $12.66bn in par bonds. The latter are more costly for Argentina and this delayed closure of the deal. However, the government – helped by the World Bank, the International Monetary Fund and the steering committee of creditor banks – convinced more banks to take up discount bonds.

Argentina had to pay $2.85bn for the zero coupon bonds to back its Brady bonds.

Cuomo spurns nomination to Supreme Court

By George Graham in Washington

GOVERNOR Mario Cuomo of New York has taken himself out of consideration for nomination to the US Supreme Court, according to news reports yesterday.

Mr Cuomo, who has long been an eloquent social conscience for the Democratic party, had been viewed as the frontrunner to replace Justice Byron White, who will retire from the court this summer.

But Newsday, a New York daily newspaper, reported yesterday the governor had withdrawn his name, and the Associated Press said White House officials had confirmed the report.

President Bill Clinton refused to discuss the Supreme Court appointment yesterday, but said he thought Mr Cuomo was "terrific".

During last year's presidential election campaign Mr Clinton had said he thought the New York governor would make a good Supreme Court justice, and Mr Cuomo himself has said the position would be ideal.

However, in his usual ambivalent style, he also likened the court to a tomb.

Mr Cuomo may be unwilling to give up his high profile in the political arena.

Membership of the Supreme Court is usually a lifetime job, and Mr Cuomo has often been mentioned as a potential Democratic presidential candidate.

Mr Clinton will be the first Democrat to select a Supreme Court justice since President Lyndon Johnson, and the appointment is viewed as reversing the court's long march towards a more conservative jurisprudence under the intellectual leadership of Justice Antonin Scalia.

Besides Mr Cuomo, most speculation on a replacement has centred on sitting judges such as Ms Patricia Wald or Ms Stephanie Seymour, who are on federal appeals courts.

While most recent nominees have been judges, in the past the Supreme Court has included more politicians and legal scholars.

Jamaican party to boycott parliament

By Canute James in Kingston

JAMAICA'S opposition Labour party is to boycott sittings of the island's parliament and will not appoint any senators, in protest at the conduct of last week's general election in which the People's National Party was returned to office.

Mr Edward Seaga, Labour's leader, has also asked the government to dismiss the police commissioner and to set up a public inquiry under the island's chief justice to study the conduct of the election.

The poll was marred by clashes between party factions and the stealing of ballot boxes and papers from polling stations, mainly in Kingston, the capital.

Mr P J Patterson, prime minister, has rejected Mr Seaga's call for an inquiry, saying the law allowed any citizen to take cases of electoral malpractice to the courts.

He said also that if Mr Seaga did not appoint opposition senators he will be failing in his duty as opposition leader, and should stand down in favour of someone else.

The office of the director of elections reported yesterday that the official counting of votes was continuing, and that official declarations had given the PNP 49 and Labour six of the 60 seats contested last week.

LEGAL NOTICES

THE INSOLVENCY ACT 1986
Mitsui Lensetsu (U.K.) Limited
(In Members' Voluntary Liquidation)

I, David John Pallen of Ernst & Young, 1 Lambeth Palace Road, London SE1 hereby give notice that on 29 March 1993 I was appointed liquidator of the above named company.

NOTICE IS HEREBY GIVEN that the creditors of the above company are required, on or before 30 April 1993, to send in their full names and addresses of their solicitors (if any) to me and if so required by notice in writing from me, are personally or by their solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

NB This notice is purely formal. All known creditors have been or will be paid in full

Date 5 April 1993

D J Pallen
Liquidator

Government will protest to Brussels over soaring Japanese sales

Italian car market tumbles

By Haig Simonian in Milan

THE Italian government is to complain to the European Commission about surging Japanese car exports, after sales figures for March showed a sharp rise in Japanese registrations against a steeply falling market.

New car sales in Italy, Europe's second biggest market, dropped by almost 21 per cent in March. The fall was the biggest since sales plummeted in late 1974 and early 1975, after the first oil price crisis.

The Rome government will argue that Japanese exports to Italy are running well above the 17.5 per cent increase to 42,900 hammered out for this year between European Community and Japanese negotiators last week.

It will also claim that sales of Nissan's UK-built Micra compact car, which have soared this year, represent an unfair case of "targeting" one model at a single market, a practice forbidden under an earlier EC-Japanese accord.

Domestic manufacturers, largely Fiat, bore the brunt of last month's sales drop, with a 22.4 per cent fall in registrations. Although imports dropped by 19.5 per cent, most Japanese marques, notably UK-made "transplants" such as Nissan's Micra and Primera models, performed strongly.

Nissan, the biggest Japanese exporter to Italy, raised its sales by 90 per cent to 4,372, boosted by demand for the Micra. Honda and Toyota also performed well. However, in spite of the increases, Japanese models still account for less than 5 per cent of the Italian market.

Until last month, Italy had been partly isolated from the steep falls in demand seen in most neighbouring countries. Analysts attributed the sharp drop to rising unemployment and growing worries about the recession. Buyers may also have been put off by the general climate of political uncertainty, and price rises for some foreign models caused by the near 30 per cent decline in the value of the lira agains the D-Mark and most other European currencies.

However, many foreign manufacturers have kept price rises well below the level of the lira's devaluation so as to maintain market share.

Honda top importer at home

THE title of top-selling maker of imported cars in Japan last month went to Honda Motor, whose increased imports of vehicles from its US factories exceeded the sales of foreign makers such as Volkswagen and BMW for the first time, writes Robert Thomson in Tokyo.

Honda's imported car sales tripled from a year earlier to 4,569 units and those of Toyota Motor were almost four times higher at 1,339 units, as consumers wanting an imported car increasingly chose a Japanese-badged vehicle.

Total sales of imported vehicles for the month were 32 per cent higher at 22,977 units, the Japan Automobile Importers' Association said. Excluding Japanese-badged vehicles, sales rose by a more modest 8.2 per cent.

For the fiscal year ended in March, sales of imported cars slipped 0.5 per cent to 190,977 units, with sales of cars with engines over 2,000cc 1.4 per cent higher, and those of smaller vehicles down 3.9 per cent.

The big loser in March was Volkswagen, which saw a 31 per cent fall in sales due to a severing of ties with Yanase, the dominant retailer of imported cars. Volkswagen, previously the market leader, finished behind Honda, BMW and Mercedes-Benz.

Yanase has a new relationship with Opel, while Volkswagen has an agreement with Toyota to use its dealer system and the German company is expanding its own sales network.

Enrique Silva: integration

Bolivia and Chile sign tariff-cutting accord

By Chris Philipsborn in La Paz

BOLIVIA and Chile have signed a tariff-cutting agreement, during a two-day conference of Rio Group foreign ministers in the eastern Bolivian city of Santa Cruz.

Under the trade accord, Chile and Bolivia will abolish tariffs on 150 goods. Both will contact private-sector companies to start studying the feasibility of a pipeline to export Bolivian natural gas to northern Chile.

Chilean exports to Bolivia were worth some $135m (£95m) last year, while Bolivian exports to Chile were worth $18m, though the La Paz government believes the accord will increase this by $35m.

The conference called on President Bill Clinton to continue the Enterprise for the Americas Initiative of his predecessor. Mr Enrique Silva Cimma, Chilean foreign minister and conference spokesman, said freer trade with the US should not block greater economic integration between Latin American countries.

Venezuela signalled it was willing to resume diplomatic relations with Peru, which were broken when President Alberto Fujimori dissolved Congress last April.

Both Peru and Panama were invited to rejoin the Rio group. Panama, asked to rejoin as part of the Central American delegation, may continue to seek individual membership.

The Rio Group meeting, attended by 12 Latin American and Caribbean foreign ministers, was preparing for an October meeting of Rio Group heads of state in Chile.

Manila off patents 'watch list'

By Nancy Dunne in Washington

AMERICAN trade officials have removed the Philippines from the "priority watch list," used to bring pressure on governments to strengthen laws protecting copyrights, patents and trademarks.

Mr Mickey Kantor, US trade representative, and Mr Rizalino Navarro, Philippines secretary of trade and industry, signed and exchanged letters on Tuesday which committed the Philippines to taking various steps on intellectual property rights. "These commitments, when fully implemented, will promote mutual economic growth," Mr Kantor said.

Steps to be taken by the Philippines include:

- Joining the Berne convention for the protection of literary and artistic works;
- Submitting legislation to improve the copyright law;
- Amending laws and regulations to ensure that internationally accepted standards on trademarks are implemented;
- Establishing new customs guidelines.

Virgin to double size of its fleet

By Daniel Green

VIRGIN Atlantic Airways, the UK long-haul airline, has confirmed it will double the size of its fleet by leasing four new Airbus A340-300 and four Boeing 747-400 aircraft.

All eight will be leased from International Lease Financing Corp, based in Los Angeles and part of American International Group.

Virgin has also taken an option on a new-generation Boeing 777 from ILFC and is negotiating directly with Boeing to acquire up to four 777s for delivery after 1996.

The acquisitions will help counter criticism of the airline that its fleet of Boeing 747s is too old.

"By the middle of the decade, our passengers will be flying one of the world's youngest fleets to a growing number of destinations in the US and further afield," said Mr Richard Branson, Virgin's chairman.

Mr Jean Pierson, Airbus Industrie's managing director, said the order was an important breakthrough in the UK airline business. A £4bn order British Airways had placed with Boeing in 1991 triggered an Airbus complaint to the European Commission.

The first Airbus delivery to Virgin will be in October, with the Boeings coming next year.

China unable to keep pace with aviation demand

Airlines are having to beg, borrow or barter aircraft, writes Lynne Curry

PASSENGERS on domestic flights in China may be surprised to discover they are boarding a Russian aircraft with a Russian cockpit and cabin crew.

The reason: the Chinese simply do not have enough aircraft and crews of their own to meet the unprecedented growth in demand for seats.

Indeed, from its decision to lease Russian-built Ilyushins and Tupolevs from the former Soviet republics to its recent announcement of purchases of a dozen Airbuses, with options for 13 more, the aviation business in China is booming.

The country's annual increase in air traffic is estimated to be running at about 25 per cent this year – more than double the 12 per cent of the peak growth periods in the US in the 1960s.

"There has not been a single year since 1984 when growth in passenger traffic has not been over 20 per cent," said a western business executive. "Even in 1989, when there was a dip for six months (because of the Tiananmen Square crackdown), growth was still over 20 per cent."

With the dramatic increase in domestic air freight and passenger travel, provinces rushed to establish their own airlines, often at the expense of safety and flight efficiency.

At last count, China had 25-30 airlines. But its safety record was spotty last year, with at least four publicly reported disasters that killed 276 people.

On Tuesday this week two people on a China Eastern Airlines flight to Los Angeles were killed and more than 150 injured when heavy turbulence rocked the aircraft.

The aircraft was forced to make an emergency landing at a US Air Force base in Alaska.

Under the terms of its deals with the Russians, China's state-owned airlines will lease 16 aircraft from the former Soviet republics.

In an arrangement called a "wet lease", the foreign carriers provide the aircraft, pilots, cabin crews, and ground service personnel. The aircraft involved are Ilyushin 86s and Tupolev 154s.

The Russians are also selling or bartering Tupolev 154s. While the Chinese use them as a last resort – they use more fuel and are not as reliable – but they are much cheaper than western aircraft.

Even China United Airlines, a civilian airline operated by the Chinese Air Force, has announced it will buy another Tupolev to add to its fleet of Tupolevs, Boeings, and Tridents. This is all part of a move by the Air Force to further convert more of its operations into more profitable civilian activities.

As Chinese economic reforms spread, the country's airports and aviation infrastructure are unable to keep pace with demand. New airports are being built around the country and old ones are being expanded and modernised.

The airline industry is undergoing a comprehensive restructuring. The Civil Aviation Administration of China (CAAC), which formerly acted as a kind of super-agency combining the policy-making roles of the US Federal Aviation Administration (FAA) and the management of all Chinese airlines, is being dismantled. The CAAC will now operate more along the lines of western regulatory organisations.

Airlines can now be categorised into three groups. The first comprises six large state-owned airlines: Air China, China Eastern, China Northern, China Southern, China Southwestern, and China Northwestern.

These airlines are free to float bonds and shares, sign joint ventures, and create subsidiaries, but for new aircraft purchases they still need central government approval.

The second group of airlines includes Xinjiang Air and Yunnan Air and a few more specialised airlines which CAAC headquarters controls directly. Despite provincial and local government pressure to be free of Beijing's directives, CAAC retains its authority over these airlines to allocate routes.

The third includes all those owned by local governments and other shareholders. Shenzhen Airline, for example, is owned by AirChina, the People's Construction Bank, China Travel Service of Hong Kong, and the Shenzhen municipal government.

To cope with growing passenger demand, western sources estimate that Chinese airlines will need to acquire 500 planes over the next decade, each with a capacity of more than 100 seats.

So far, Boeing is the front runner in this market with about 100 Boeings in service, which is more than any other foreign aircraft flown in China. More are on order.

McDonnell Douglas, which has a co-production arrangement with the Shanghai Aircraft Industrial Corporation that makes MD-82s, has produced 35 domestically and is negotiating to produce the newer MD-90.

But in the newer, more market-oriented environment, McDonnell Douglas faces a hard time selling its aircraft. Chinese airlines have always tended to favour Boeings.

But the boom in the country's air transportation business has also generated problems, especially those of safety,and CAAC has recently announced plans to crack down on the growth in the number of local airlines.

Europe's biggest windfarm planned

By Chris Tighe in Newcastle

AN APPLICATION for permission to build Europe's biggest windfarm on the western edge of the Kielder forest in Northumberland, northern England, was lodged yesterday with the government by Trigen Windpower, a UK, US and Japanese joint venture.

The proposed £80m windfarm would comprise more than 250 wind turbines, each 170 feet high, with the capacity to feed up to 80 megawatts into the national grid. Power stations of 50 MW or above are the planning responsibility of the government, rather than local authorities.

The three square mile site, believed by TriGen to be the windiest in England, is at *Humble Hill*, 1,500 feet above sea level on the southern end of the Cheviots, 10 miles north of Haltwhistle and near the Scottish border. The remote site is owned by Forest Enterprise, the Forestry Commission's estate management arm, and is currently planted with coniferous trees.

Average output would be 20 - 30 megawatts. The electricity would be transported by power lines, supported on poles, eight miles through the forest to a substation at the RAF's Spadeadam base.

To proceed, the project needs not only planning permission but also subsidy under the British government's non-fossil fuel obligation (NFFO) scheme, which requires electricity companies to buy some energy generated from renewable sources.

Trigen Windpower intends to bid for subsidy in the next NFFO tranche, for which it expects applications to be invited in mid-1993. It hopes to have the windfarm, which will take up to 18 months to construct, fully operational by the end of 1995.

TriGen is a partnership between Ecogen, a UK company based in Cornwall and specialising in renewable energy, Californian-based SeaWest, the world's largest wind energy project developer and operator and Tomen Corporation, a large Japanese trading company active in energy projects. TriGen last month opened a 103 turbine, 30 megawatt windfarm, currently Europe's biggest, in Powys, mid-Wales.

Although the UK is the windiest part of Europe, it has not until recently been as active in windfarm development as some Continental countries. Ecogen was formed in response to the non-fossil fuel obligation, to encourage windfarm development in England and Wales.

The Forestry Commission, which has held discussions with Trigen, said yesterday it looked favourably on the project, although it is still studying the environmental implications. Kielder is Europe's largest man-made forest.

The selected site is outside the Northumberland National Park and does not include any Sites of Special Scientific Interest. "In landscape terms this is the ideal situation," said a Forestry Commission spokesman.

The plan may however encounter opposition from environmentalists. On clear days, the windfarm will be visible from Hadrian's Wall, built as the northern frontier of the Roman Empire.

North Sea storm as winners fall out with losers

The oil sector is split over new tax rules writes **Deborah Hargreaves**

TWO projects announced by Shell and British Petroleum in the past week will inject nearly £2bn into the North Sea over the next five years. This is a boost for the flagging oil sector which is suffering from persistently low prices.

They are the type of projects the budget sought to encourage through changes to Petroleum Revenue Tax. Both stand to benefit from the changes – analysts reckon the new PRT rules have added £100m to the value of BP's Forth field which it announced last Friday it would develop.

In addition, the lower PRT rate will give Shell an incentive to go ahead with plans it revealed on Tuesday to extend the Brent field's life.

Both projects were planned long before the tax changes and would probably have gone ahead anyway.

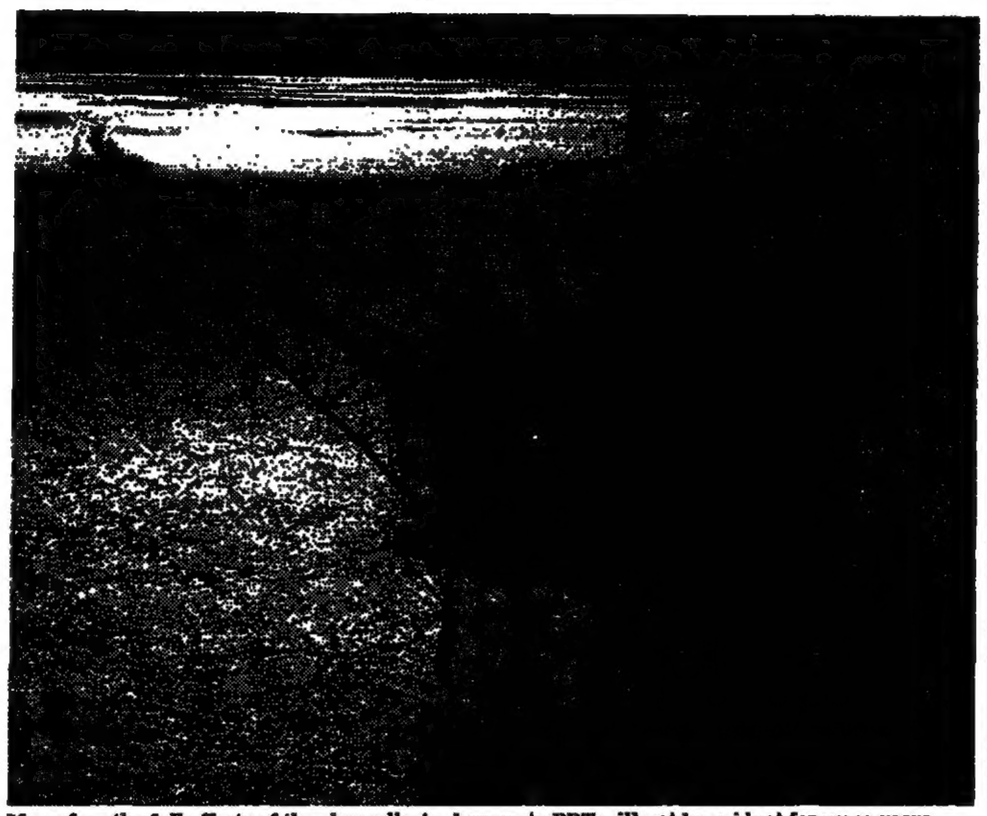
Many companies believe the full effects of the chancellor's changes to PRT will not be evident for many years. By then, they argue, exploration will dwindle and it will be too late to entice it back by changing the rules again.

The new rules lower the rate of tax paid on existing fields from 75 per cent to 50 per cent and abolish it for new fields. They also remove tax relief on exploration and appraisal work in the North Sea which will hit many of the small, independent companies hardest.

The Treasury estimate that the changes will raise £700m over three years has been challenged by Wood MacKenzie, the Edinburgh-based industry analysts, which estimates the figure will be £115m.

The changes will quadruple the cost of exploring in the North Sea, causing an outcry in the oil industry. They have also prompted a row between companies that stand to gain from the proposals and those that will lose.

British Petroleum is one of the winners. Wood MacKenzie expects the new rules will improve its cashflow by £412m or 14 per cent over three years. Companies such as Amerada Hess stand to lose the most – an estimated £83m or 10 per cent knocked off its cashflow up to 1996.



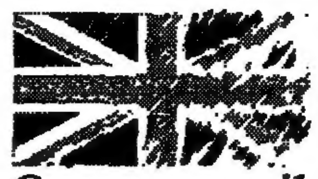
Many fear the full effects of the chancellor's changes to PRT will not be evident for some years

The split has made it difficult for the industry to formulate a joint response to the government's proposals and this has undoubtedly weakened its case. The Treasury regards much of the complaint about the tax changes as special pleading and sees little justification for making changes to the new rules.

But one issue that has united the industry is the retrospective nature of the changes. Companies applying for acreage to drill in the North Sea must make presentations to the Department of Trade and Industry in which they sketch out their plans for exploration. As part of this they will agree to drill a certain number of wells over a specific period.

Companies are calling either for a transition period during which tax relief will still apply to those commitment wells or to be released from the obligations made under previous licensing rounds. Under the current arrangements, if companies do not drill the wells to which they are committed, the DTI can take away their exploration license.

Britain in brief



Overseas rail consultancy sold for £5m

Transmark, British Rail's international consultancy business, has been sold for about £5m to Halcrow, the British engineering consultants, as part of the privatisation of BR's non-core businesses.

Transmark, which has worked on more than 200 rail projects in 30 countries, made an operating surplus of £1.1m on a turnover of £10m in its last financial year.

Halcrow said that Transmark's background in rail operation and design would compliment its own engineering and transportation skills. After the acquisition Halcrow will have a staff of more than 2000 generating an annual turnover of £90m.

It currently operates in 70 countries earning about 80 per cent of sales overseas.

Salvation Army fraud report

The Salvation Army, the international charity, is preparing to break its silence on the circumstances surrounding an alleged £6m fraud by publishing an interim report.

The Army has refused to comment on the alleged fraud since it surfaced publicly on February 15 when a writ issued in the High Court alleged that Tilen Securities Inc, Mr Stuart Ford a Birmingham businessman, and Mr Gamil Naguib conspired to defraud the Salvation Army of the money.

Since early February, the Army has maintained that it had to balance the public's right to know the facts with the need to recover the missing money.

It was advised by its lawyers that to make any statements would jeopardise that recovery. Now senior officials appear to be responding to internal pressure to clarify the situation.

Birt to meet all BBC staff

Mr John Birt, the director general of the BBC, is pushing ahead with an ambitious and costly scheme to invite all 23,000 staff to one-day discussion sessions about the future of the corporation.

Staff will come from BBC offices all over the UK to sessions to in London. Critics will see the move as an attempt to indoctrinate staff with Mr Birt's radical ideas for the future of the corporation.

Mr Birt, who holds one of the key positions in the British media, has been under attack over his salary arrangements with the BBC.

BR to talk to strike unions

British Rail is holding separate talks today with the two main rail unions in a bid to prevent a second 24 hour strike on the network due to take place next Friday. BR said last night that it could not afford any more damaging disruption on the railway network. Last Friday's stoppage cost BR £10m in lost business.

Today's meetings followed the announcement by ASLEF, the train drivers union, that it intends to join the 24 hour stoppage already planned by the main rail union the RMT in protest at the threat of compulsory redundancies.

A spokesman for RMT said last night that his union was going into talks with the intention of "negotiating positively and constructively".

Patten in UK politics

Mr Chris Patten, Hong Kong governor and former Conservative party chairman, said Britain had to, "play to its strengths" and concentrate on promoting higher value added industries – including financial and other services.

He said he did not want to "downgrade manufacturing", but, "no one should want people in Europe or North America to be locked into tough manual or repetitive jobs," he said.

In a rare intervention into British political debate since his appointment to a Hong Kong a year ago, Mr Patten warned that the "comparative advantages" of western industrialised economies will tend in the future to be man-made.

Mr Patten added: "Hong Kong demonstrates this argument very clearly. In five years we have lost a third of our manufacturing jobs because of competition from China. But we still have full employment. Our businessmen dis-invest while still ahead and re-invest in new ventures."

10,000 to stand in local polls

More than 10,000 candidates are standing for the May 6 county council polls in England and Wales in the first extensive voting test since last April's general election.

Tories are in the lead on the current representation figures for England's 3,005 county council seats, with 1,421 to Labour's 911 and Liberal Democrats' 457. There are also at present 93 independents, six Social Democrats, three residents' representatives and 14 others.

But Labour leads in the 504 in Wales, with 283 to 38 Tories, 23 Liberal Democrats, 27 Plaid Cymru, two residents, 129 independents and two others.

Employee share schemes 'thrive'

A significant increase in the number of employee share schemes over the past decade has helped improve workers' attitudes towards work, although they might not be working any harder, according to a report in today's Employment Gazette, the journal of the Department of Employment.

George Walker

The High Court reserved judgment yesterday on the bid by creditors of Mr George Walker to have the former chief executive of Brent Walker declared bankrupt.

The creditors are claiming Mr Walker has breached the terms of the voluntary agreement he reached with them last September to repay debts approaching £180m. Judgment will not now be given until April 20 at the earliest.

Young face rising costs of caring for old

By Alan Pike, Social Affairs Correspondent

THE FINANCIAL pressures of an increasingly elderly population could cause conflict between the generations, the final report of a study of the lives and needs of older people warns today.

The number of pensioners will peak around 2030, imposing heavy costs on people of working age, according to the report. It says the continuation of present trends towards earlier retirement will exacerbate the problem, and the best way to ease it would be for more older people to take paid work.

The report is the culmination of a series of studies into the third age – defined as between 50 and 74 – financed by the Carnegie UK Trust and conducted by a range of research organisations. The findings will be used to launch a public debate about third-age issues later this month.

By 2031, says the report, Britain will have 46 pensioners for every 100 people of working age compared with the present figure of 30. While it was understandable that younger people were given priority for jobs at times of high unemployment, it was "in the interests of everyone that older people were enabled and encouraged to work".

The report calls for older people to receive better access to training and skilled paid work. Age discrimination should be eliminated where possible. "Training, both on the job and for the unemployed, needs to be substantially increased so that over-50s can be given as much access to it as younger people."

Third-agers' potential could be achieved only when lifelong education, training and access to information were the norm. Britain, says the report, is "a long way from achieving this".

It calls for a new independent body to monitor third-age issues at national level, and urges the government to address the future of the state retirement pension.

The present policy of increasing the basic pension in line with prices rather than earnings is gradually eroding its role in maintaining living standards of pensioners, says the report. "The basic state pension is enormously expensive because it goes to nearly everyone, and if its costs were reduced it would be possible to spend more on means-tested support for the poorest."

One year ago tomorrow, John Major surprised everyone but himself by winning the general election. The honeymoon, after a very personal victory, was short-lived and he begins the second year of his term as a deeply unpopular political leader who has everything still to prove.

The past twelve months have been hijacked by internal party differences over Europe, by the debacle surrounding UK withdrawal from the exchange rate mechanism and by a continuing, deep recession which has disappointed and alienated many traditional Tory supporters in the business community. Many industrialists are pleased that Major is now attempting to reshape economic strategy in favour of the manufacturing base and its associated skills. But the jury is still out on whether the rhetoric will give way to effective action.

Lloyd's to underwrite more export insurance

By Richard Lapper

INSURERS at Lloyd's of London are to increase their involvement in the export credit insurance market, following the relaxation of restrictions imposed in the 1920s.

Competition in the market, which has been dominated by insurance companies, is expected to increase as a result of the move.

Lloyd's syndicates have been allowed to underwrite the risk of publicly-owned companies failing to pay exporters for goods received, but had been excluded from the mainstream private sector market.

Hiscox syndicate 33 has been given permission to lead a Lloyd's facility which can receive up to £20m in premiums a year. Its underwriter Mr Geoffrey Lynch said: "I was allowed to cover possible default by a South American state-owned oil company but not that of likes of Exxon. It just didn't make sense for Lloyd's to turn its back on the market."

Mr Charles Berry, of brokers Berry Palmer & Lyle, said that the restriction, imposed following heavy losses by a Lloyd's underwriter who insured financial guarantees, was outdated. "The outside world recognises that trade credit risks are lower than some of the risks that syndicates are allowed to underwrite."

The facility will be carefully controlled to limit risk to Names – the individuals whose assets support Lloyd's – with no syndicate allowed to receive more than 2 per cent of its premium income from the facility.

Mr Nigel Bovingdon, of Credit Insurance Association, a Hogg group subsidiary which brokes about 25 per cent of Uk export credit risks, said that Lloyd's was "breaking the mould" by opening the facility. He said Lloyd's would provide extra competition for Trade Indemnity and the Dutch-owned NCM, which currently dominate the market.

Lloyd's could also benefit from increased demand for export credit cover in France and Germany, where CIA has recently opened offices.

Meanwhile the Lloyd's leaders met yesterday to continue work on the business plan, which could be presented to the council, the insurance market's ruling body, as early as next week. The plan will outline reforms designed to restore prosperity to the beleagured market, where losses over the past five years are expected to exceed £5bn.

The Society of Names, one of a number of groups representing loss-making Names, wrote to its members last week detailing a number of the measures which it believes the plan will advocate. Among these are moves to transfer "long tail" liabilities – those on which claims emerge many years after the original inception of the policy – to a new centralised "run-off" company.

Patten to review school tests

A LAST-DITCH attempt to quell the threatened boycott by teachers of compulsory school tests was launched yesterday by Mr John Patten, education secretary, who announced an urgent review of the national curriculum and school testing, writes Gillian Tett.

Speaking at a conference of the Association of Teachers and Lecturers in Cardiff, he said that though "testing is here to stay", the national curriculum, together with its tests for seven, 11 and 14 year olds could be greatly simplified.

But with his proposals drawing a lukewarm response from teachers' unions, and Mr Patten coming under growing criticism from both inside and outside his party, the move seems to have done little to defuse the growing political crisis he faces over the issue.

Mrs Ann Taylor, Labour "shadow" education secretary, condemned his proposals, insisting that he was making "guinea pigs of our children. Either Mr Patten has failed to understand how serious the situation is or he is making a cynical and vain attempt to divert people's attention."

Mr Hugh Dykes, a conservative MP and outspoken critic of school tests, described Mr Patten's announcement as inadequate. "I cannot understand why he is flying in the face of sensible protest from so many moderate people."

Two out of three of the largest teaching unions now seem set to boycott the compulsory English and technology tests for 14-year-olds, which are planned in England and Wales this summer.

NASUWT, the second largest teachers' union, which has already announced a boycott, said it would continue its action in spite of Mr Patten's announcement.

Innovation

IF ALL the words written on innovation in the past few years were translated into performance, Britain would have one of the most successful economies in the world. Innovation has been the subject of numerous seminars, speeches and publications, with industry exhorted to shake itself up and develop the ideas, products and strategies needed to come out ahead in international markets.

There is no doubt the UK has plenty of corporate winners, especially in sectors such as pharmaceuticals, retailing and some parts of manufacturing – aerospace, electronics and engineering. But the country also seems to have more than its fair share of plodders and losers. Innovation and competitiveness are hard to measure, but the UK does poorly in world league tables by most statistical yardsticks.

While that much is indisputable, there is a good deal of disagreement about the causes of this lagging performance and possible ways to put it right. Industrialists, academics and economists generally agree, however, that the process of innovation is hard to define. Nor are there any easy models for innovation-hungry companies to follow.

"Just having innovative technology is not enough to claim true innovation," Akio Morita, chairman of Sony, the Japanese electronics concern, said in a lecture to The Royal Society. Also required is creativity in both product planning and marketing. "Innovative management demands that all phases of the operation be seen as links in a single chain of innovation."

Scientific endeavour is clearly an important element in most innovation, but it is by no means the only or dominant factor. Howard Newby, chairman of the Economic and Social Research Council, says: "Innovation does not automatically spring from scientific invention and go on inevitably to produce a competitive edge for companies."

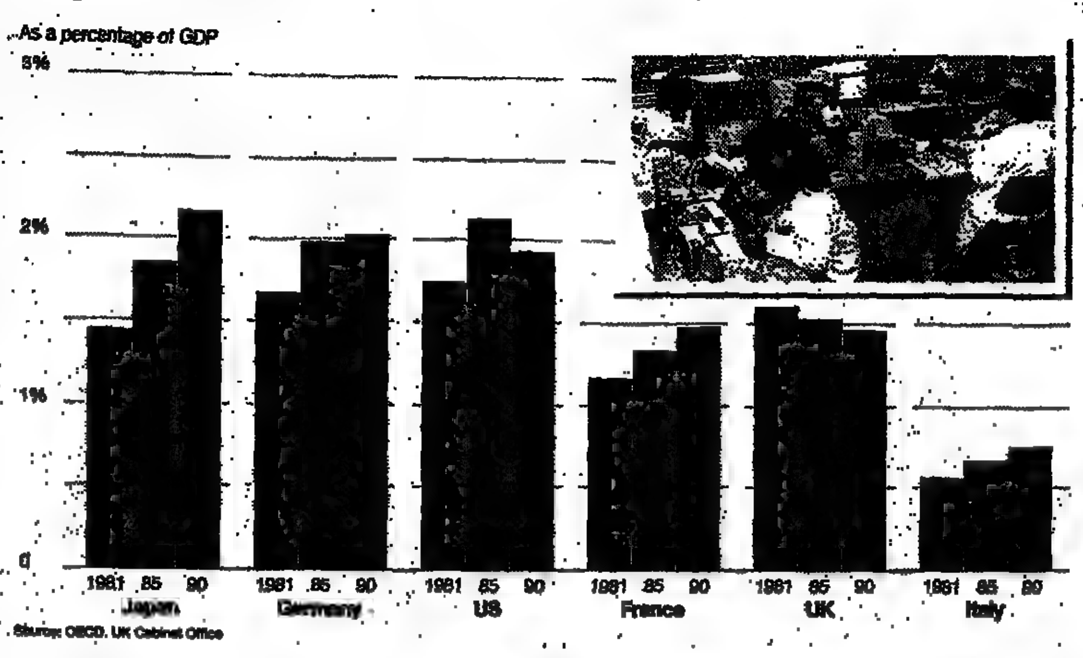
Josef Schumpeter, the Austrian-born economist, described three phases of technological change: invention, or the discovery of new ideas and methods; innovation, which means making these commercially useful; and diffusion, the spreading of the resulting products and processes to available markets. Economic study has shown that more than 80 per cent of US productivity growth in the first half of this century stemmed from technological innovation.

In Britain today, the economy suffers from the lack of a strong technological base, according to Paul Stoneman, a professor at Warwick Business School. "Unless the UK invests more heavily in new technology, it will not be able to generate the extra productivity and new products that it needs to compete successfully in international markets and will continue its relative decline."

Andrew Fisher ends a series on innovation by asking why Britain's performance lags behind other countries

From inspiration to bestseller

Corporate R&D



Corporate research and development declined in Britain as a percentage of gross domestic product in the 1980s, but rose in Germany, Japan, the US and France. ICI, Britain's top spender on research and development, is 35th in world terms, with Glaxo, the second biggest UK R&D spender, in 49th place.

In Stoneman's opinion, the UK's relatively poor performance results from the government's short-term policies of demand stimulation and use of interest rates as a policy weapon – both leading to economic volatility – the short-term view taken on capital markets, the shortage of skilled workers and over-reliance by the government on market forces.

Recently, the government has tried to become more supportive of industry. Stoneman believes the forthcoming White Paper on Science and Technology "could revolutionise policy towards the stimulation of Britain's technological base".

Even if this does occur, the need to manage and control ideas and invention will remain a priority. Companies which blaze new scientific and technological trails do not always succeed commercially. One of several telling examples cited by John Kay, professor of economics at the London Business School, is EMI, the British company which pioneered the CAT scanner in medical technology, but then ran into financial troubles.

Philips, the Dutch electronics group, has developed original products such as the audio cassette and the compact disc. Today, its finances are in disarray. In his new book, Foundations of Corporate Success, Kay makes the point that innovation needs to be accompanied by other types of competence such as management, marketing and organisational strength and flexibility. Also, technology can be copied.

"Innovation is, by its very nature, costly and uncertain," he writes. It is also hard to manage. Kay warns against putting too much faith in technology at the expense of other skills. "A common business mistake is to believe that innovation can compensate for competitive disadvantages in other areas. Such a strategy is almost never effective."

Reputation is important in persuading people to buy innovative products, Kay adds. "Customers will buy untried Sony products because of the strength of Sony's innovative record." Interestingly, Morita uses the example of the Walkman portable cassette player to show that successful products do not have to be technologically advanced, even in electronics. "Frankly, it did not contain any breakthrough technology. Its success was based on product planning and marketing."

It is this emphasis on the marketability of innovative products, backed up by management and other skills, that the Department of Industry, the Confederation of British Industry, the ESRC (independent, but government-backed) and other innovation-minded organisations are keen to promote in Britain. The DTI and CBI have begun a programme which seeks to tell companies how best to change their ways; a study last year found only one-tenth of UK concerns were truly innovative, though half showed some of the right elements.

"One of the problems we have is overcoming inertia," comments Joe Carr, one of five industrialists seconded to the DTI's innovation unit – in his case from TI Group. "We've got to catch the hearts and minds of chief executives." He believes UK companies should be more open in the way they exchange and share technology and ideas and also be more willing to enter into alliances with other companies to enhance product and market strength.

Communication, both inside companies and outside to investors, suppliers and consumers, is widely seen as essential to successful innovation. Richard Scase, professor of organisational behaviour at Kent University, thinks UK companies – especially in manufacturing – often fall down badly here. "People in the manufacturing process often don't see innovation as part of their responsibility and concentrate on production only." Many R&D departments also operate in partial isolation from the rest of the company – "the traditional argument is that boffins must be kept away from the coal face".

In the view of John Fisher, technical director at PA Consulting Group, many companies – not just in the UK – do not use their R&D talents properly. "They've got cupboards full of ideas that no one appreciates," he says. "It's not so much a question of spending more or less on R&D, it's one of maximising effectiveness."

Yet that is easier said than done. "It can be very difficult to know if you have a winner or not," says Ian Harvey, chief executive of British Technology Group, which licenses products around the world. It was 10 years before magnetic resonance imaging, the latest-generation body scanner developed from academic research, became successful in the medical equipment market.

Innovation requires vision, courage and persistence as well as technological and management expertise. Failures are inevitable in the drive to find winning products, but that is part of the price for seeking to turn inspiration into success in the world market place.

Desperately seeking an angel

For innovators who have made their products attractive enough for the market and want to expand, the search for funds can be frustrating. Enter the "business angel", a successful entrepreneur who is probably over 35, comfortably off rather than super-rich and dislikes publicity.

Angels are keen to use their money to help young enterprises which find it hard to raise money elsewhere. With venture capital difficult to attract and the UK government's Business Expansion Scheme diverted into such non-productive areas as property, angels are eagerly sought out.

Business angels – the commercial equivalent of the Broadway angels in the New York theatrical world – were first identified and defined in the US, but clearly have a role to play wherever budding entrepreneurs look for capital.

The problem is they are hard to find. Thus matching the two sides is not easy. Angels tend to invest near where they live or operate and often in sectors they know something about. "They know what they don't want to invest in, but otherwise they are fairly open," says Colin Mason, senior lecturer in economic geography at Southampton University.

Together with Richard Harrison, management development professor at Ulster Business School, Mason has studied the activities of business angels in Britain. A recent paper by the two men suggested the informal capital pool represented by angels could total between £2bn and £4bn, compared with the £1bn or so a year invested by institutional venture capital funds. Thus, they concluded: "Business angels would appear to represent a significant and under-utilised source of finance for small business in the UK." While they generally invest between £10,000 and £30,000 in a business, a minority will put in more than £50,000. British angels tend to invest alone, while many US angels work in syndicates headed by an "archangel".

While angels may get a kick out of their investments, Mason stresses: "They are not philanthropists. They want a financial return." Other factors do play a secondary role, though. "Sometimes, they may act partly out of social obligation or altruism – this is more common in the US – but the fun factor does come through."

In the UK, around 15 per cent of angels' investments are directed towards high-technology areas, far less than in advanced technology areas in the US such as California.

Most angels are "hands on" investors, says Mason. "This means the business is getting more than just money; it is getting the investor's skill, money, knowledge and contacts."

Those in search of angels' funds are more likely to find them if they are based in the US, where their total is put at between \$10bn (£7bn) and \$20bn, rather than in the UK. Venture Capital Network was set up in 1984 in the New England states of the US with business support. It is now run as an affiliate of the Massachusetts Institute of Technology.

Clones of VCN have been set up in Canada and other parts of the US, though not all have been successful. VCN operates as a computer-matching information agency and not as a vetting or recommendation service. Mason would like to see a similar operation in the UK, possibly funded by the government which has already launched a pilot scheme.

Also keen for a more efficient way of introducing angels to technology ventures is National Westminster Bank, which will undertake feasibility studies aimed at doing this in Oxford and north-west England, regions of heavy research and manufacturing activity. "If this works," says Peter Ives, manager at NatWest's Technology Unit, "we will do a national database." The EC is also looking at ways of putting European angels in touch with start-up and early-stage companies seeking funds.

However, the relationship between entrepreneurial investors and young companies is not always angelic. Sometimes business angels become overbearing and disruptive. Then, they are called "devils".

AF

MANAGEMENT: MARKETING AND ADVERTISING

Bernard Simon considers a deal between Miller Brewing of the US and Canada's Molson Breweries

Hop across the border

The wholesalers who distribute Miller beers in the US were given an unusual message at their national sales convention in Orlando, Florida, last month. Jack MacDonough, Miller Brewing's president, told them that the US's second-biggest brewer was putting its muscle behind the hitherto-competing brands of Canada's Molson Breweries.

MacDonough encouraged the wholesalers to do likewise by buying the Molson distribution rights for their area. Miller and Molson had just signed a deal which, if it works, could become a model for similar partnerships between other consumer products companies.

One party, in this case Miller, is eager to broaden its product range without the vast expense and risk of launching a new brand. The other, Molson, has a promising product but lacks the resources to make a significant dent in a large and unfamiliar foreign market.

"Everybody gets something great out of this," enthuses John Carroll, president of Molson Breweries, the joint venture formed in 1989 between Canada's Molson Companies and Foster's Brewing of Australia.

Under the deal, which took effect last week, Miller has bought the US marketing and distribution rights for Molson brands, the best-known of which include Molson Golden, Molson Canadian and Foster's.

Miller will pay Molson a royalty on sales. The Milwaukee-based company has not just committed itself to spending specific amounts of money to boost Molson sales but is also contractually bound to achieve specific sales targets. Both companies declined to reveal details, other than to say that the marketing effort for Molson will be on a par with that for leading US domestic brands.

As part of the deal, Miller has also become a partner in Molson's operations outside the US. It has acquired a 20 per cent stake in Molson Breweries, whose brands account for more than half the Canadian beer market. The two companies expect their co-operation to extend to such areas as purchasing, product development and brewery operations.

Miller, which is the brewing arm of Philip Morris, the tobacco, food and drinks group, has long been regarded as the least aggressive of the leading US brewers. But it is now the only one with a foothold in all three countries which have signed the North American Free Trade Agreement.

In its first investment outside the US, it acquired a minority stake late last year in Fomento Economico Mexicano (Femsa), one of Mexico's biggest beverage companies. Molson's market share in the US is currently a minuscule 0.8 per cent.

"IT'S A COCKTAIL OF MILLER AND MOLSON."

But of the 400 imported beers sold in the US, Molson is second only to Heineken. Its market share reaches double digits in such border cities as Buffalo, New York and consumer research suggests it enjoys a much higher awareness among drinkers than its market share indicates.

Miller's MacDonough says Molson is "a terrific brand which has good growth potential if resources are put behind it".

Miller and Molson predict that US beer drinkers will be especially attracted by Molson's Canadian roots, which evoke images of a cool, clean and high-quality product.

"Over the next few years, we plan to build on the strengths that we've got and to establish those strengths in other markets," says John Barnett, president of Molson USA, which is now a subsidiary of Miller.

Molson is encouraged by the early results of three test campaigns which it launched last autumn in the New England states, Denver and Syracuse. Thanks to new labels and packaging and lower prices, Molson says the boost in sales so far has exceeded its expectations. Some of the increase appears to have come at the expense of US domestic brands.

That raises the question whether any future gains made by Molson in the US will eat into the market share of Miller beers. MacDonough acknowledges there may be some cannibalism.

"When you expand the growth of Molson, that growth will come from domestic brands, more than from imports," he says. But with Miller's brands accounting for 22 per cent of the market, he predicts "it will impact the competition more than it will impact us".

The partnership also creates an awkward situation for Molson, which has the Canadian licence to brew Coors, one of Miller's chief rivals.

Coors Light is among the most popular light beers in Canada and Molson is anxious that its deal with Miller should not jeopardise the Coors relationship. Miller has agreed that its representatives will not take part in any discussions between Molson and Coors.

Molson beers are already available across the US but, in Barnett's words, "just being there is not enough. It can be available because it's there, or it can be actively promoted and advertised. In a country of this size, there's an enormous difference between the two".

Furthermore, he says that Miller's knowledge of the US marketplace will give Molson access to "significant ethnic markets that we have never really tried to understand."

With the Miller clout behind it, Molson expects that its beers will be displayed more prominently in retail outlets, such as the valuable end-of-aisle spots. It is also looking for Molson brands to be featured more often in retailers' flyers, and other promotional material.

Within a day or two of the deal closing, MacDonough met Lintas, Molson's US advertising agency, to discuss Miller's marketing strategy. Miller salespeople who look after the accounts of big retail chains will in future also promote Molson products.

For the time being, however, Miller and Molson will continue to have separate sales teams calling on wholesale distributors.

The Canadians and Australians will be well satisfied if their link with Miller boosts Molson's share of the US beer market to 2.5 per cent over the next five years. That may seem a modest target, but it would triple Molson's present market share, putting it far ahead of Heineken, its main competitor.

At that level, exports to the US would also equal half the total Canadian market. The survival of Molson's breweries in Canada, now running well below capacity and facing an inexorable decline in domestic beer consumption, would be assured.

Charting the tastes of China's consumers

Lynne Curry meets two market researchers

At a time of sweeping social and economic change, Yuan Yue and Li Kan represent a new breed of Chinese revolutionaries.

Both men run organisations analysing a phenomenon that barely existed a decade ago – the growing clout of China's increasingly prosperous consumers.

Yuan is the assistant president of China Market Research Institute. Li is the general manager of Connections Consulting Company.

The two companies are among a dozen or so market research groups that have sprung up in the last year, some based in Beijing, others working in the Shenzhen Special Economic Zone in Guangdong province as partners of Hong Kong companies. All of them are geared towards charting the tastes of the new class of consumer produced by the country's capitalistic-style economic reforms.

"Market research is a new concept for Chinese enterprises because consumers had no choice under a totally state-run system," said Yuan.

Yuan and Li are at the forefront of the drive to develop this industry, carrying out market research on consumer products ranging from shampoo to gum to computers and copiers, and testing the market for those not yet available in China.

But with China's increasingly complex economy, Yuan and Li have adopted different approaches towards marketing in the country.

Yuan's China Market Research Institute uses a variety of western polling techniques: focus groups, door-to-door interviews, the telephone and mailings.

The institute's 68 employees contact between 500 and 3,000 families for each survey, with the number varying depending on the product and customer preferences.

Li's company, founded by a group of Chinese MBA graduates from the EC-sponsored Beijing-based China European Management Institute, has six full-time employees and conducts its business by interviewing distributors. The company has dealt almost exclusively with foreign firms.

To many Chinese, accustomed to Soviet-style methods of collecting information, this process of data collection is almost revolutionary.

The consumer response rate to market surveys is about 60 per cent, which is high compared with the western equivalent, according to Yuan. "People think it's all so new," Yuan said. "They have never seen this before and they think 'why are you asking me?'"

Traditionally, reports sent to officials and directors have always told them what they want to hear. They have never relied on a realistic appraisal of the market or canvassing ordinary consumers.

This is still true among many state-run enterprises. "Domestic Chinese companies don't want us to assess the market," said Connections' Li.

"They want us to write a report that must be favourable. We generally avoid working for domestic companies."

'Market research is a new concept for Chinese enterprises because consumers had no choice under a state-run system'

Obtaining accurate market surveys has become more critical as companies become more profit-orientated. With many enterprises acquiring goods through unofficial means (including smuggling) outside the central distribution network, the compilation of official statistics about the breakdown of market share can be inaccurate.

For example, a large demand for photocopiers has led to smuggling and a much greater market for these machines than official data indicate, Li said.

He also noted that official statistics about the Chinese pharmaceutical industry have a high error rate and do not reflect how foreign pharmaceutical multi-nationals have begun to dominate the market.

For these reasons, growing numbers of private Chinese enterprises, collectives and foreign companies are increasingly turning to organisations such as Yuan's institute and Li's company to do business.

Even a few state-run enterprises are beginning to rely on western marketing tools. In a centrally planned economy, most managers of state-run organisations have never had a need to collect market data, or even to place advertisements in the official media.

However, as state-run corporations face tougher competition from smaller, more efficiently run joint ventures and private enterprises, that attitude is slowly changing.

Yuan cites the experience of one state-owned Chinese leather goods manufacturer in Beijing. A bestseller of leather accessories, the enterprise never knew consumers' opinions about its products or even the percentage of market share its goods occupied in the domestic market. The company relied upon its sales force to keep it informed about new styles and trends in China and abroad.

Still, Yuan believes the future lies with China's growing private sector. His institute has surveyed about 1,000 private Chinese enterprises each with assets worth about Yn1m (£114,000). Most of these enterprises are based in the coastal provinces of Zhejiang, Shandong, Guangdong and Fujian.

The conclusions he and his colleagues reached are revealing: nearly all of the entrepreneurs interviewed believe the profits gained from running their own businesses are worth the risks, but their greatest worry is still political uncertainty.

Despite this concern, Yuan, a law graduate who previously worked at the Ministry of Justice, plans to take advantage of the current hospitable economic climate towards private enterprises by severing his ties with the institute and going into the market research business with three other investors this year.

If the can-do and risk-taking approach of men like Yuan and Li is any indication, they are on the ground floor of what could be a booming industry. "In five years' time, the demand for marketing will be big," Li said. "We are ahead of domestic demand."

PEOPLE

Conway moves to top of DEC from IBM

The search for a replacement for Geoff Shingles, Britain's longest serving computer boss, is over. Digital Equipment, the US minicomputer maker and computing services company, has announced that the top slot in its UK subsidiary would be filled by Chris Conway, a 48-year-old battle-hardened computer industry veteran.

His first task will be to ensure the company is in shape for a worldwide reorganisation due for completion by July 1 this year. Conway seems to relish the challenge: "I think I can bring a sense of urgency to Digital," he says. "In my view there should be less debate and more implementation."

Strong words for an executive steeped for the past 27 years in the corporate culture of International Business Machines, a company whose current troubles are widely ascribed to a reluctance to take tough decisions quickly enough.

Conway's management record is impressive, however; a specialist in the finance industry and systems integration, he led the IBM team which won prime contractor role on the Royal Navy's Merlin EH101 helicopter.

Born in what was then Southern Rhodesia, now Zimbabwe, he has lived in the UK since 1969 with a spell in Paris managing IBM's Nordic territories.

Leaving IBM was an enormous wrench, he says, but Digital, once Big Blue's arch enemy, represented "a lifetime opportunity".

Geoff Shingles stays on as chairman with a mission to raise the company profile and help with sales to government.

Finance moves

■ Andrew Kellett is promoted to md of BANK OF BOSTON Ltd; he succeeds Peter Roberts who is returning to Boston to head BancBoston Ventures.

■ Leslie Hill, formerly a director of Merrill Lynch International Bank, has been appointed a director of RECORD TREASURY MANAGEMENT.

■ David Merrifield and Trevor Sampson have been appointed directors of PRIVATE FUND MANAGERS; they move from Greenwell Montagu Stockbrokers.

■ Mark MacLean, formerly a director of BZW International Equities, has been appointed vice-president and director of YORKTON SECURITIES in Europe.

■ Colin Brown, Edward Stacey, Anthony Watts, and Vaughan Williams have been appointed directors of MORGAN GRENFELL & Co Ltd. Graham Bamping, Roger Curtis, Diane Seymour-Williams and Anthony Wilkinson have been appointed directors of Morgan Grenfell Asset Management.

■ Jeff Warren, director of finance, has been appointed finance director and to the board of BRISTOL AND WEST BUILDING SOCIETY.

■ Iain Reid, formerly head of research at Richard Ellis, has been appointed chief executive of the property investment management division of BZW Asset Management.

■ Malcolm Wood has been appointed md of CLIVE AGENCY BOND BROKING.

■ Richard Horlick and Iain Stewart have been appointed directors of NEWTON Fund Managers; and Paul Clifton and David MacCallum, who moved from the United Friendly Insurance Group, directors of Newton Investment Management.

■ Paul Bourdon has been appointed md of GREENWELL MONTAGU GILT-EDGED on the retirement of Mike Higgins. Tim Cartmell, Ian Collier and Malcom MacDougall have been appointed directors.

■ Joseph Rooney, formerly European equity strategist with James Capel, has been appointed a director and European equity strategist at LEHMAN BROTHERS INTERNATIONAL.

■ Geoff Haley, former head of the construction group at City solicitors Theodore Goddard, has joined rival lawyers, S J Berwin & Co.

Haley has more than 20 years' experience in big construction projects. He was legal adviser to the Thames Barrier Consortium from 1979-1987, led the construction contract negotiations on the Channel Tunnel for Translink in 1985/86 and has extensive experience of Build/Own/Operate/Transfer (BOOT) projects both in the UK and worldwide.

He is currently assisting the United Nations Industrial Development Organisation in preparing guidelines for BOOT projects in developing countries and recently was appointed to UNIDO's government advisory unit.

Rolls-Royce's Japanophilia now encompasses Sanders

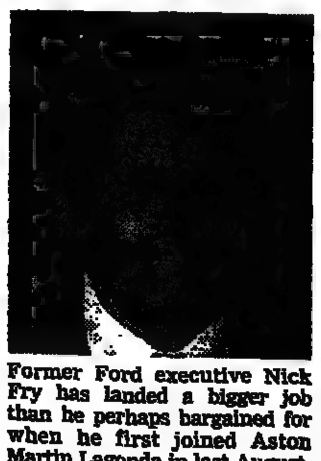
With the appointment of Keith Sanders to a senior managerial role at its Crewe headquarters, Rolls-Royce Motor Cars should gain some helpful insights into what makes Toyota's Lexus luxury car franchise tick.

Lexus cars may be a rung or two down the prestige – to say nothing of price – ladder from Rolls-Royces and Bentleys. But they have gained an envied reputation for quality and reliability since Toyota launched the brand in the late 1980s, and wreaked considerable damage to the sales of European makes like Mercedes and Jaguar in world car markets.

Coming to Rolls, where he has been appointed director of UK operations, from his previous post as field operations director at Toyota (Great Britain), Sanders, 48, has had a warts-and-all view of the debut of what is probably the most luxurious model in the range of Japanese cars in the UK marketplace.

Rolls-Royce's interest in the subject has been stirred by the big quality and productivity gains it is achieving from what it describes as a manufacturing "revolution" at Crewe, where in the past 18 months there has been a wholesale adoption of Japanese-style practices. Break-even has been more than halved to 1,400 cars a year in around 24 months.

Sanders, who has also worked for Ford and Nissan, will be responsible for all Rolls' sales-related activities in the UK. He is taking over from Bernard Preston, who is appointed quality director.



Former Ford executive Nick Fry has landed a bigger job than he perhaps bargained for when he first joined Aston Martin Lagonda in last August.

That was as operations director. Now he has been made managing director at a time when the luxury sports car-maker, owned by Ford since 1987, is poised for one of the biggest expansionary leaps in its 70-year history.

The company is cranking up to quadruple production to 800 cars a year in 1995, by means of a new "cheap" Aston, the DB7, destined to sell for the paltry sum – by Aston standards – of less than £80,000.

Past models have mostly been designed, developed and built at Newport Pagnell, Buckinghamshire, and the more expensive models will continue to be built there. But the DB7 will be produced at a separate factory being equipped at Bloxham, Oxon, with the main design and development undertaken in Kidlington, Oxon, by TWR (Design), part of Tom Walkinshaw's TWR group.

Not only will Fry have day-to-day supervision of this three-ring production "circus", he is also charged with new product planning and overseeing the expansion of Aston Martin's worldwide sales and service organisation which is a necessary accompaniment to the arrival of the DB7.

Cinema/Nigel Andrews

Small-town tales

Star City, Arkansas, and Rustwater, Kansas, are both small towns near the middle of America. But look closely – is there a big difference? Exactly. One is in Jim Thompson country, the other is in Sinclair Lewis country.

Star City is the small town as rural spittoon. In the irresistibly grimy, downbeat thriller *One False Move* – scripted by Billy Bob Thornton and Tom Epperson but surely ghost-dictated by that master of elevated pulp J. Thompson – the town plays host to fugitive gangsters, dimwitted lawmen and a climactic carnage that Aeschylus would be proud of.

Up the road a little – go north and bend left – is Rustwater in wheatbelt Kansas. For displaced urban crime read agriculture under stress. There is a drought here and the farms are dying; and if one pastoral crisis is not enough, here comes another. Revivalist preacher Jonas Nightengale (Steve Martin), comedy-cloned by screenwriter Janus Cercone from Sinclair Lewis's Elmer Gantry, passes through town with his all-singing, all-praying tent show. He gives the rain-starved farmers hope; he raiseth the lame and sick (the language is catching); he thumps his Bible; and he is a frightful, pearly-teethed fraud made winning by the charismatic Mr Martin.

High-sleaze evangelism: Steve Martin dances into town peddling dubious miracles in 'Leap of Faith'

When films venture outside Los Angeles they usually end up in Cutesville, USA. See *ET*, *Back To The Future* and Co. To Hollywood any place without smog, faxes and power breakfasts must seem strange and innocent. But *One False Move*, by a mile the better of the week's rural twosome, makes a rich dark joke of this *(faux)-naïveté*. At the centre: a young Southern sheriff (Bill Paxton) intent on proving his mettle to two visiting lawmen (one white, one black) from Los Angeles. All the Angelenos want to do is to round up a pair of cocaine-dealing killers (also one black, one white) who massacred a roomful of people back in L.A. and then fled with their guns, their drugs and their girl (Cynthia Williams). Will they come to ground in the girl's home town of Star City, Ark.?

Not yet. First the movie, directed with sizzling grace by ex-actor Carl Franklin, travels all over the south-western states as the getaway trio make for Houston (to sell their drugs) before being harried by police pursuit into doubling back north for Arkansas. Back here the film's other character grouping has been in mocking parallel action. For two black/white crooks with a brown-skinned girl read two black/white city cops with a redneck sheriff.

The racial patch-quilting, though teasingly displayed, is never deployed for facile tension. Indeed Southern values are almost *respected* for their loony matter-of-factness. Paxton's pinbrained lawman is a creation so ridiculous it is sublime. He boasts, he bumbles, he preens. And he obliviously throws out the word "nigger" while his black colleague pretends polite deafness. Even the sheriff's wife shakes her head at his intellect, while simultaneously advertising her own. ("He watches TV, I read non-fiction".) And when her man goes off to do what a man's gotta do, the film moves into a *High Noon* climax re-staged – brilliantly – as nihilist farce.

One False Move is a rural tragicomedy with the deadly grace of a sidewinder. *Leap Of Faith* is more like a stoned python. It folds itself round its subject's neck, makes some promising hissing noises – and then falls asleep on the job. We love the sight of Martin dancing into town with his big-band show of dubious miracles: orchestrated by Debra Winger at the backstage computer, feeding audience information into Martin's on-stage earpiece. "Man in white shirt, hard of hearing", "Woman in pink with arthritis". Then the slapping-on of hands, the customer's fainting fall, the lordy-lordy paroxysms of ersatz joy.

Unfortunately, something else in the movie soon reveals itself as ersatz. It is the subplot. Make that two subplots: for while Winger romances the improbably saintly town sheriff Liam Neeson – so handsome, so gentle, so liberal (no redneckery in this burg) – Martin makes a play for diner waitress Lolita Davidovitch. She has a crippled, chess-playing little brother (Lukas Haas of *Witness*) who will surely, if Cliff Eidelman's music has not done the job by then, end by melting his and our hearts.

Can a *real* miracle happen? Yes indeed. For lo, the cinema exit doors finally open before we have all passed out with terminal queasiness. Director Richard Pearce (*Heartland*, *No Mercy*) delivers the razzle-dazzle in the revivalist set pieces, with Martin exploding all over stage. But no star-director team can keep their anti-twaddle guns firing in the face of both the appointed target – high-sleaze evangelism – and a whole lot of late, unscheduled fire from Hollywood inspirationalism.

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You cannot escape small-town life even, or especially, in Sweden. Sven Nykvist's *The Ox* is about pastoral bigotry and brutalism. A terrible fate befalls Helge Roos (Stellan Skarsgard) when he kills a neighbour's ox to feed himself and his family during Sweden's 1860s famine. Flogged and life-sentenced to hard labour, he is then betrayed by his starving wife for the sake of their starving child. Nor, gentle reader, does the horror stop there...

This truth-based tragedy of errors makes Thomas Hardy seem like Louisa May Alcott. It also makes for spellbinding cinema. Writer-director Nykvist is best-known as a cameraman to the great and famous, having lensed 22 Ingmar Bergmans, three (serious) Woody Allens and a Tarkovsky.

After a training like that, manic depression or emergent movie mastery can be the only outcome. Nykvist here makes images that burn the eye. The early winter scenes are inspired crayon-and-charcoal sketches, all ashy clouds, ember-yellow sunsets and crispy, silhouetted blacks. They are followed by the desaturated, mold-grey prison scenes, resembling a mortuarist's photo album. And even when the film bounces back briefly to May-time, the colours are caustic, garish, mocking.

Assembling his cast from the Ingmar Bergman Who's Who of Acting – Liv Ullman, Max Von Sydow, Erland Josephson and *Fanny And Alexander*'s Ewa Frohling as the wife – Nykvist kneads the faces with light and shadow as a baker kneads dough. There is no flicker of false emotion as he shapes the story into a picture of provincial life both cruelly plausible and sumptuously satirical. Von Sydow's dithery priest and Ullman's lady of the manor, specialising in milky-eyed looks and arm's-length kindness, show the tattered raiment of charity in times of social despair. And Stellan Skarsgard, an actor whose flayed looks and sleep-robbed eyes haunt the mind, finds Dostoevskian depth in the hapless ox-killer. In sum: a triumph.

Stellan Skarsgard and Max Von Sydow (left) in The Ox

ONE FALSE MOVE (18)
Carl Franklin

LEAP OF FAITH (PG)
Richard Pearce

THE OX (12)
Sven Nykvist

BEST OF THE BEST 2 (18)
Robert Radler

PARIS IS BURNING
Jennie Livingston

Is there anything else? Yes, but if you have a bus to catch I can run through them quickly. *Best Of The Best 2* is the sequel to a film no one seems to have seen. Reportedly it starred Eric Roberts (Julia's brother) and Chris Penn (Sean's brother), now re-teamed for 90 minutes of cheerful drivel as two kick-boxers trying to kick an evil wall of muscle called Brakus (Ralph Moeller). Place: Las Vegas. Toupee'd Wayne Newton, looking mature enough to be Isaac's brother, steals the show as the sleazy emcee.

You can always see the three-year-old drag documentary *Paris Is Burning* at the ICA. Director Jennie Livingston shows us round New York's "vogueing" couples, as the entire black and Hispanic poulations of Brooklyn and Harlem seem to have spent 1990 coming out and loudly refusing to go back in again. Bold, if rather old, stuff.

Exhibition/Jackie Wullschlager

Pierre Bonnard

"I would like to appear with the wings of a butterfly before the young painters of the year 2000," wrote Pierre Bonnard a hundred years ago.

Bonnard: the Happiness of Paintings, the title of a comprehensive new exhibition in Dusseldorf gathered from public and private collections across Europe and America, speaks for both the man and the work. In huge canvas after huge canvas, Bonnard distilled his preoccupations with a contented, domestic life in images of iridescent colour and Arcadian brightness. No painter invites so closely a feeling of instant introduction into an everyday scene, of joining the family in the garden, the couple by lamplight, or even the cat peering over the tablecloth.

Picasso hated this untroubled charm and called Bonnard "piddling". Like his friend and fellow *intimiste* Edouard Vuillard, Bonnard suffered for much of this century from modernist dismissal as bourgeois, decorative, superficial. In the last 20 years, his work has swung back into favour; the scholarly catalogue (DM39) to this show teases out roots in 18th-century French art as well as the influence of Gauguin, the other *Nabiss* and the Symbolists, and proposes Bonnard as a precursor of Americans such as Jackson Pollock.

But walk into any room here and it is Bonnard the pure painter who matters and attracts. Personal and intimate, with a dash of humour never found in Vuillard, he is always fresh and loyal to his own vision, a perfectionist in each minute detail. Years after he had sold a work to a museum he used to sneak in, wait for the curator to move to another room, and furtively whip out a brush and tube of paint to alter a fragment that still bothered him.

He was born in 1867 into a liberal bourgeois family who did not object when he gave up law for art. His sister married the composer Claude Terrasse in 1890 and it is the Terrasse family that features in the early, monumental group pictures of uncles and children and dogs and outdoor tables laid for lunch, such as *L'Apres-midi bourgeoise*. Like the work of his contemporary, Proust, this is the quintessential idyll of bourgeois indolence and elegant leisure; it is also a wonderfully ironic comment on social stiffness and ennui, with the family lined up in a row, each with enough room to stand or sit but not to unfold or relax. Thus did Bonnard charge his cosy sunlit spaces with psychological overtones.

After he settled down with his wife Marthe, social pictures were rare. The Bonnards were reclusive, living first in Normandy a few miles from Giverney – Monet used to drive over to see the latest work; "of the two," said a witness, "Bonnard spoke rather more, but that was hardly at all" – then in a village near Cannes.

From both homes, Bonnard painted landscapes, trees, blossoms, fruit, brought within the bounds of his own world. The exterior plays against the interior so that the viewer must find his way – to the vista seen through an open window, across a veranda, from a table on a terrace. In the enclosed, luxuriant gardens in mauves, pinks and oranges that are Bonnard's lifelong motifs, the close-ups, the bowl of fruit, the check tablecloth, are the lasting images. The piquant and personal are the joys of Bonnard: the composition of *The Cherry Tart*, with its red fruit, blue table and green foliage screening the landscape beyond, might have been set up for him to paint the greedy eyes of the dog whose nose just reaches the tart.

The round, childish face and slender body of *Marthe*, muse and model, is often the sole figure here; in the 1912 *Nature morte a la figure*, she is caught so still and calm that she seems part of a still-life. In the famous "bath tub" series, delightfully brought together for this show, she is a naked, known woman unlike any other nude. Even Degas' simple nudes washing and drying have a mix of sensuality and gracelessness where Marthe is delicate, unsophisticated, hips and breasts unemphasised, body in its shimmer of light almost more abstract than the interwoven surfaces, mirrors and coloured tiles, which luminously reflect her figure.

Bonnard does not try to explain her or anyone else; even in the last *Self-portrait* of 1945, painted after the deaths of Marthe and Vuillard, he stares, frail and alone, from the other side of a glass, his gaze directed beyond us. Some of the sparkling decorative pictures, suffused with well-being and memories of happiness, that he painted at the time of the portrait appear with it here; they show an aging Bonnard still true to the claim he made in the 1890s: "I belong to no school. I only want to do something of my own."

Bonnard: Das Gluck zu Malen, Kunst-sammlung, Dusseldorf, to April 12.

Clement Crisp on the ENB's regional tours

Ballet on the doorstep

English National Ballet makes an amoeba-like split for the next month to encompass two small-scale tours of the regions. The scheme is of proven value as we know from previous years. Audiences that might not expect to see ballet of this quality on their doorsteps, benefit. New work is encouraged without prohibitive cost. The dead hand of the "classics" is lifted from the box-office. Dancers find new roles and challenges. All's for the best, and if – as on Tuesday night in High Wycombe – some of the programme is a bit below par, there are rewards in seeing dancers blossom in a fresh repertory.

ENB was appearing in High Wycombe at the new (November 1992) Swan Theatre. The building is light, spacious, well-planned. Civilised loos. The auditorium seats just over a thousand in comfort. Sight lines are good; the stage is excellent for middle-scale dance; the theatre and bar staff are courteous and seem actually to care that the public is present. (So unlike certain of our own dear metropolitan fun-palaces.)

The key to the programme was the first performance of *The Seven Silences of Salome* – over-sibilant title – by the Portuguese choreographer Olga Roriz, who made an impressive *Thirteen Gestures of the Body* for the Gulbenkian Ballet.

This is bare-foot territory – as was everything in the evening except for the *Don Quixote* duet – and the piece comes with an addled programme-note which avers that the seven men in the cast are "multiple images of John the Baptist" who dance their individual tributes to Salome, and that the whole thing is "a dream developed by a woman about the desire of another woman who has never existed". After that, I would happily believe that Mme Roriz was also laying claim to the throne of Peru. It is intellectual hocus-pocus. What we see is seven men who dress up in seven items of flimsy female clothing (they look foolish enough to appear on the catwalk of almost any British fashion show) and then perform brief, vivid solos. Salome does not appear.

The value of the piece is that Mme Roriz offers an individual and convincing dance-language which gives the men splendid opportunities. Movement is anxious, feverish, built upon quick, bright gesture and jagged-edged action. Performances are fine, committed. The men are Alexis Manuel, Paul Lewis, Denzil Bailey (who has a variation of great rhythmic sophistication, which he does admirably well), Maurizio Bellezza, Tim Almaas, Thomas Edur and Stephen Sherriff. I thought Mr Sherriff extraordinary, even in this distinguished company, by reason of the emotional concentration of his playing. He has, from his days as a soloist with the Royal Ballet, been an artist to watch with gratitude. Here he achieves even more impressive stature: the role, the dance, take fire.

This *Salome* is a welcome arrival in the repertory showing the men of the troupe as serious and gifted artists. There is an insistently clangorous electronic score by Antonio Emiliano; simple and effective decor by Nuno Carinhas. Sponsorship comes from *Portugal 600*.

American choreographies framed the programme: Paul Taylor's *Aureole*, which no one on stage understood, for performances were neither buoyant enough nor exact enough in gesture; and David Parson's two jokes, *Sleep Study* and *The Envelope*. The pyjama-ed figures of the first are quite amusing, the piece happily brief; the romping of the second goes on for ever. Hero of this was the pianist Kevin Darvas who played a Rossini mish-mash with a nice wit. In the *Don Quixote* pas de deux, Agnes Oaks and Thomas Edur did what they did efficiently. Neither convinced me and Mr Edur is too valuable an artist to be wasted on this horse-play.

ENB's tours Britain with two programmes until May 8.

High Romanticism: Chris Merritt, Deborah Riedel, and Diana Montague in Opéra Bastille's new production of 'Benvenuto Cellini'

Opera/Ronald Crichton

Benvenuto Cellini

Have Parisians even now really come to terms with Berlioz? In the listing columns of a leading newspaper the other day, readers were urged to see the Opéra Bastille's new production of *Benvenuto Cellini* "to persuade themselves that this opera is decidedly not Berlioz's masterpiece". How negative can you get? And who said *Cellini* was his masterpiece? Even if it is not on a level with *The Trojans* or that wonderful not-quite-opera *The Damnation of Faust*, *Cellini* is a riproaring heartwarming piece of High Romanticism and self-justification, demanding a place in the national repertory.

It was with *The Trojans*, in a production that by all accounts failed to set the Seine on fire, that the Bastille opened almost four years ago. *Cellini* is in the main a big success – done well, Berlioz can be relied upon to draw large audiences in spite of his detractors. Conductor Myung-Whun Chung and the willing Opéra orchestra hurled themselves whole-heartedly at the music. Though the quieter moments – the lovely duet for Teresa and Ascanio for example – made their effect, some of the playing was a shade too brash and brassy, obscuring detail. Plenty of vitality, not enough light and shade.

The producer, Denis Krief, whose *Sapho* (Gounod) I enjoyed at Saint-Etienne last season, designed his own sets, costumes and lighting. The result had unusual homogeneity, a swirling, sweeping, restless evocation of Renaissance Rome with magical evocations of the Piazza Colonna and the Colosseum – painted architectural sets in the grand theatrical style of Berlioz's time. Good to see the big Bastille stage uninhibitedly used, even if the width meant stringing out the carnival crowds in long lines like a frieze.

Everything was generously planned – yards of material for the riotously colourful, painterly costumes (as good in motion as they were when still). What a blessed, wicked pleasure to have an opera evening far away from clamped-on ideas and strenuous visual ugliness! Could it be, bearing the Opéra-Comique's *Mireille* in mind, that reaction is on the way?

The "King Midas" pantomime on Cassandro's trestle stage at the carnival was elaborately staged, with the stabbing of Pompeo a focal point. I cannot say I followed the twists and turns of the casting of the statue, but there was a genuine, growing excitement. At the moment of triumph, a giant impression of Perseus the height of the proscenium arch was flashed on to a gauze – no feeble imitation of a bronze figure.

So much for the eye to enjoy occasionally endangered the story line but not for long. Krief never allowed comedy to topple into farce. The Pope (Romuald Tesarowicz) and his treasurer Balducci (Jean-Phillipe Courtis) were not caricatured but shown as potentially tricky opponents, symbols of Cellini's uneasy relationship with authority (for which read Berlioz and the official Paris of the 1830s).

Cellini, the goldsmith of genius who was also a brawler, was sung with swagger and thoughtfulness by Chris Merritt, whose voice has a useful streak of hard metal as well as Rossini-tenor agility. That voice was taxed by the role, but the worrying unsteadiness of the opening scenes lessened. Merritt's appearance combined burliness with distinction of bearing.

The Teresa of Deborah Riedel, full-toned and positive in manner, was the best I have seen – for once the girl seemed a worthy partner for the artist. The Ascanio of Diana Montague and Fieramosca of Michel Trempont were excellent. Much of the evening's musical excitement came from the Opéra's fine chorus, especially the tenors and basses who sang so lustily as Cellini's fellow-craftsmen.

Sponsored by Association pour le Rayonnement de l'Opéra de Paris.

Recital

Wolfgang Holzmair

For a couple of years Wolfgang Holzmair's Lieder singing seemed to be the best-kept secret of Wigmore Hall audiences. On one occasion I recall the young Austrian baritone looking genuinely surprised at his reception. No more; these days he is to be found in recital across several continents and plentiful recordings are promised.

He has taken strides forward since his London debut four years ago. Tuesday's programme at the Wigmore Hall was all Schubert, taking *Schwanengesang* as its backbone, but adding extra songs with words by Seidl and Rellstab to give it body. Brigitte Fassbaender and Peter Schreier have offered the same basic idea before, but they did not start with the last song, "Die Taubenpost", and then sing it again for an encore, as Holzmair did – a strange idea, but not unpleasing.

His accompanist on this occasion was a noted Schubert pianist in her own right, Imogen Cooper. Unlike Andra's Schiff, who was in the audience, she did not accompany with a soloist's flair. The Bösendorfer's lid was firmly down; the sound was unvaryingly soft and demure, leaving Holzmair's baritone to take the limelight for itself.

It was difficult to call this a partnership in any meaningful sense. Beautifully moulded though her playing was, Cooper did not really dramatise the songs at all. By the time she had reached a contrasting mood, Holzmair was up and away, several new ideas further on. He has always been a restless singer, apt to veer from one dynamic extreme to the other in quick succession, but a far greater degree of discipline is now in evidence.

At his best – a seductive "Liebesbotschaft", a powerful "Der Doppelgänger" – it is difficult to think of another young recitalist to match him. Holzmair has a lot to say about the music he sings and the technique (except in those awkward octave rises of "Kriegers Ahnung") to put it across. His baritone sounds as though it was born with its wide range of expression. Meltingly romantic tone colours and bitter, dark anger come to it with equal ease.

The conclusion must be that Holzmair is well on target to fulfil his early promise. Incidentally, the second time that he sang "Die Taubenpost" was even better than the first – a knowing and affectionate smile in the voice that worked as well for this song as any performance I can remember.

Richard Fairman

British culture in the clear

BOOK REVIEW

CAPITALISM, CULTURE AND DECLINE IN BRITAIN 1750-1990
By W D Rubinstein
Routledge £25 182 pages

Of all the competing explanations for Britain's poor economic performance compared with Germany and the US, the most pervasive is the belief in an anti-industrial culture. The idea is that for the past 100 years social and educational attitudes in Britain have been uniquely unfavourable to industry; this has led to a diversion of talent away from manufacturing to "softer" activities such as the professions and the civil service.

A powerful restatement of this view came in 1981 with the publication of Martin Wiener's English Culture and the Decline of the Industrial Spirit. The "cultural critique" associated with Wiener and others holds that from about 1870 onwards the upsurge of entrepreneurial vigour which had produced the industrial revolution was blunted by "gentrification". Successful industrialists sent their sons to public schools where they imbibed pseudo-aristocratic values that were alien to the single-minded pursuit of production and profit.

Several historians have questioned Wiener's analysis, but none have done so with as much force as W D Rubinstein. His new book, which follows several earlier studies of British elites, is written with wit and passion. It is a persuasive antidote to many of the clichés about British industrial decline; its message needs to be absorbed by speechwriters for the prime minister, John Major, and Michael Heseltine, trade and industry secretary.

Rubinstein lays into the "cultural critique" on three main grounds. First, he attacks its central assumption that Britain shifted from a pro- to an anti-industrial culture in the course of the 19th century. Second, he regards the notion of British economic decline as vastly exaggerated, partly because it reflects an obsession with manufacturing; it fails to take into account the country's competitive success in services. Third, he finds no evidence to support the view that the public schools engendered anti-business attitudes.

Rubinstein says: "Britain was never fundamentally an industrial and manufacturing economy; rather it was always, even at the height of the industrial revolution, essentially a commercial, financial and service-based economy whose comparative advantage lay with commerce and finance".

What is sometimes seen as Britain's economic decline was simply a shift of entrepreneurial energies to other forms of business. "In moving from industry to commerce, Britain's entrepreneurs were responding intelligently to opportunities. This had little or nothing to do with any factor in Britain's underlying culture, elite educational system or fundamental system of values."

Rubinstein shows that even during the period from 1770 to 1860, when entrepreneurs in Lancashire and the West Riding of Yorkshire were turning Britain into the workshop of the world, the richest and most powerful group in the country were the bankers and merchants of London and the home counties. The dominance of commerce and finance was interrupted by a brief upsurge of factory capitalism in the first half of the 19th century, "whose importance has probably been exaggerated by the fact that it had the world's first modern factories, by the fact that it is highly visible and unpleasant, and by the importance given to it by Marxism".

As for the contention that British culture was anti-industrial, he points out that if an important indicator of such attitudes is the views of writers and intellectuals, then German and perhaps even American culture has been more anti-business than that of Britain. Noting the "cosmic anti-bourgeois sarcasm" emanating from Germany's Brechts and other left-wing writers, he argues that British culture has been much less strident in its condemnation of capitalism than any other European culture.

In a study of the backgrounds and careers of public schoolboys between 1840 and 1990, Rubinstein shows that few northern industrialists sent their sons to these establishments; the suggestion that the public schools diverted talent away from industry is groundless. Sons of financiers were more likely to have been educated at public schools; yet these were the activities in which Britain, far from suffering from an anti-entrepreneurial bias, continued to enjoy a competitive advantage.

In his final chapter Rubinstein discusses the interaction between the country's three elites – the landed elite, the commercial-based London elite, and the northern manufacturing elite. The third of these had its period of greatest influence between 1830 and 1870, but it was never able to establish a dominance over the other two. "The self-conscious, acquisitive, ideologically distinctive provincial elite disappeared in the first world war, together with its vision of a liberal, meritocratic, provincial civic culture not dissimilar to that which emerged in 19th century America."

Rubinstein leaves a number of questions unanswered, not least the issue of whether the dominance of the metropolis – which is unique among advanced countries – damaged the economy. His claim that Britain's comparative advantage has always been in finance and commerce is plausible, but the balance between manufacturing and services might have been different, and better for the nation, if the social and business links between London and the north had been closer.

Manufacturing remains an important part of the economy and those who worry about its competitiveness are not necessarily suffering from what Rubinstein calls "manufacturing fetishism". What this book does, nevertheless, is to challenge the conventional wisdom about Britain's Victorian past and thus to alter the terms of the debate about the country's present and future.

Geoffrey Owen

The author is director of the Business Policy Programme at the Centre for Economic Performance, LSE

ECONOMIC VIEWPOINT

After the pain, the wait for the gain

By Samuel Brittan

Pay-setting institutions have certainly been transformed: fewer workers are in collective agreements, bargaining is decentralised, the century-old tradition of 'the rate for the job' has been ruptured, fair wage resolutions and comparability machinery have been withdrawn, there is greater sensitivity to the fortunes of the company and the performance of the individual. The government and their acolytes have achieved virtually all they set out to do."

With these words, David Metcalf, professor of industrial relations at the London School of Economics, summarised the changes in the UK labour market in the Thatcher decade and beyond. His paper was given at a conference held on April 1 by the National Institute of Economic and Social Research.

One of the best illustrations of the changes is the sharp decline in union membership as a proportion of all employees. Over the short period 1984-90, the proportion of pay rises determined by collective bargaining fell from 71 per cent to 54 per cent. On the positive side, some 43 per cent of businesses had cash or share-based profit sharing by 1990, and 32 per cent had share ownership or option schemes – although in most cases these provided only a modest proportion of workers' remuneration.

Moreover, in contrast to earlier decades, public and private sector employers stood up to a series of important strikes. Management's "right to manage" was reaffirmed and employers were able to get rid of "Spanish practices" in the newspaper, airlines, and other last-ditch areas.

There were benefits. As Metcalf says: "Growth in manufacturing output per head improved such that Britain was top of the OECD-major seven nations growth league table in the 1980s, after being bottom in both the 1960s and 1970s. Labour productivity in manufacturing has continued to grow rapidly in the 1990s reflecting the sharper fall in employment than output. The improved performance of the manufacturing sector in the 1980s was attributable to the interaction of greater product competition, high unemployment and anti-union legislation."

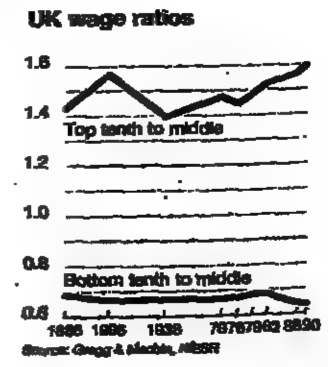
But there were two disturbing offsetting features. The first relates to the distribution of income. Mainstream economists say that "inequality" increased. The most widely-used measure of inequality is the Gini co-efficient which has a maximum of 100 and rises as "inequality" increases. The UK co-efficient rose (after tax) from 28 in 1981 to 35 in 1988. There were similar movements in the US. There was no such increase in France, but the absolute level of "inequality" remains higher than in the UK.

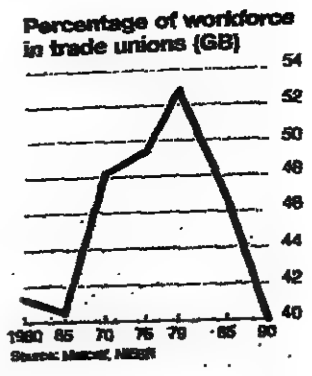
The term "inequality" is a loaded one, presupposing that equality is a natural or desirable state of affairs. But in the case of full-time manual workers, Paul Gregg and Stephen Machin in their contribution were able to isolate separate effects. The ratio of earnings of the top tenth of manual full-time workers to the "median" workers (those whose pay was in the middle) increased to the highest since 1886. In itself, there might not be too much to worry about here – it might be evidence of a widening of differentials for skilled labour. The real concern is at the bottom. For the lowest tenth have experienced since 1976 a steady decline in the ratio of their earnings to the median.

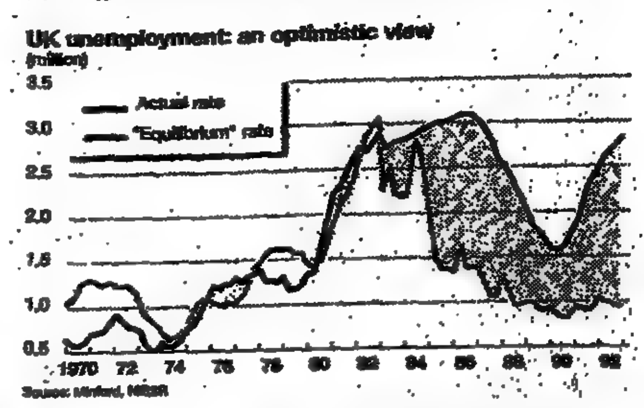
Absolute poverty is a highly complex and controversial area. But it is difficult to deny the evidence of an increasing trend in the 1980s. At the very least, a substantial minority did not share in the general prosperity, when real earnings for those in employment rose at a record pace.

The distributional changes were largely driven by labour market forces, such as declining relative demand for less skilled workers and occupations. But the decline in importance of institutions such as unions and minimum wages played a role.

The second disturbing feature is that even the productivity gains have gone to waste in unemployment, which seems to be rising to a post-war record. As Metcalf puts it: "Either the government got it wrong concerning the link between pay-setting institutions and procedures and the employment outcomes. Alternatively, the government got it right about pay setting. In this case its macroeconomic policy must be a shambles. Either way it is disgraceful that more than 3m unemployed are needed to implement government policy."







The clue to the puzzle may have been provided by another participant, Professor Patrick Minford. He believes that the equilibrium rate of unemployment (consistent with stable prices or a constant rate of inflation) did rise in the early 1980s in the aftermath of some Labour policies and because of mistakes made by the incoming Tory administration, but has since fallen rapidly.

I prefer Minford's optimism to the establishment's recession-biased economics

The particular early Conservative error was the sharp rise in council rents, fully compensated in unemployment benefit, but only partly in benefits available to those at work. This much increased the "why work?" problem, but became less important as benefits fell in relation to income.

A big element in Prof Minford's view was unionisation, which added 1m to equilibrium unemployment in the 1970s, but reduced it by 1¼m in the 1980s. A further favourable influence was falling employer taxes on labour. In sum he believes that equilibrium unemployment, which shot up to 3m in the early 1980s, has since fallen back rapidly and is now about 1m.

This led Prof Minford to argue in his contribution to the government's panel of independent forecasters that the economy could take a very large boost without any danger of renewed inflation. This is in strong contrast to the Treasury and most commentators, who fear that because of capacity shortages, the balance of payments or other constraints, anything but a modest recovery would run into trouble.

Prof Minford's presentation provoked a discussion, ended only by the clock. If there has been such a large gap between actual and equilibrium unemployment for most of the past 10 years, why did inflation not fall further in the middle 1980s; why was the economy not better able to absorb the credit expansion of the period, and why are prices not actually falling today?

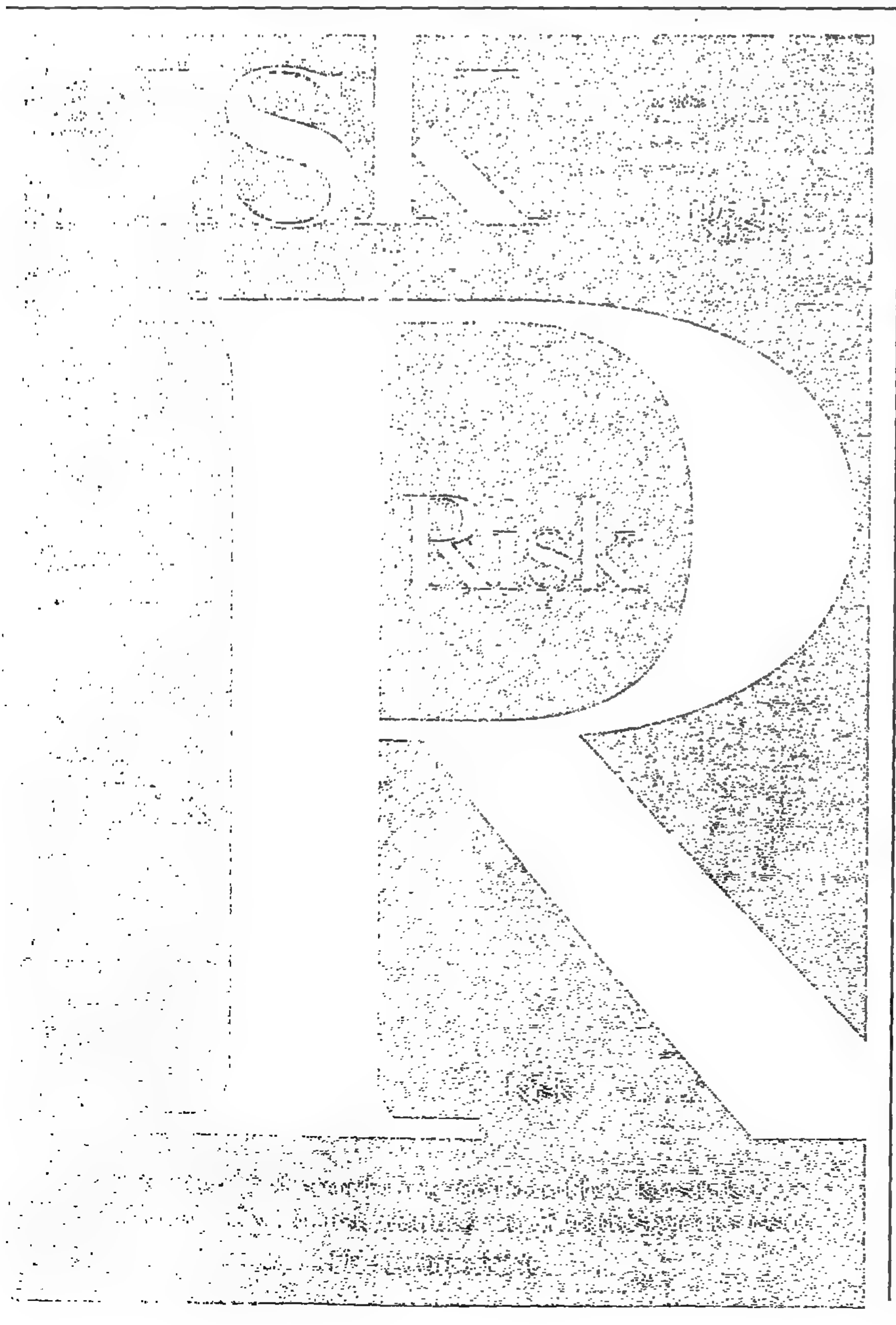
Fragments of explanation, offered by conference participants, were that it was not the level of demand in the late 1980s that caused the problem, but the rate at which it increased. In the 1990s there may be a constraint of physical capacity biting well before there is any chance of labour shortages reappearing.

Prof Minford played down capacity restraints. Indeed if output can be increased without inflationary effects, then capacity will be created by business. Moreover if unemployment is so far above equilibrium, it should be possible to cope with any incipient balance of payments problem by having a lower rate of inflation in the UK than in competitors.

As some recent chancellors will confirm, my own vision of the economic process is not always the same as Prof Minford's. Nevertheless I prefer his structural optimism to the economic establishment's tendency to project any recession or business cycle problem indefinitely into the future.

If there is something in his account, then the effect of the Thatcher labour market changes is more like what one would have expected. The distribution of income has been adversely affected, but most of today's unemployment is due to recession and will be priced back into work with recovery.

Lower unemployment will itself reduce poverty, but probably not enough. Non-political observers would want to investigate fiscal redistributory schemes, such as those outlined in James Meade's new collection of essays, just published by Macmillan, Liberty, Equality and Efficiency. But they would also seek to retain the more flexible post-Thatcher labour market.



LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Offer worth refusing

From J J Plant.

Sir, With the volume of column inches expended on the Hoover promotion, I am a little surprised that nobody has looked at the much larger Sainsbury/British Airways promotion which took place at about the same time.

As a result of some careful planning of my shopping, I acquired vouchers that would have entitled me to two reduced air fares. Sainsbury/BA further rewarded me with two additional "bonus" vouchers. I have found these to be valueless. On flights since Christmas, all on BA, I have been able to book tickets through West End agents considerably cheaper than the BA "reductions".

I have probably lost nothing (and may have gained a little) as a result of rescheduling purchases to boost my total expenditure at Sainsbury during the crucial period. Certainly Sainsbury gained some of my market share at the time, but in the immortal words of rock star Pete Townsend, I "won't get fooled again". And my expectation is that Sainsbury will not actually spend very much on subsidising air tickets under its scheme.

J J Plant,
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Schools must not perpetuate artificial educational barrier

From Mr Alastair Thomson.

Sir, The secretary of state for education's decision to give a much higher profile to vocational qualifications in recent weeks ("Patten vows to improve the skills base", April 6) is particularly welcome given the implied message within your own second leader of the same day ("Testing times").

While agreeing wholeheartedly that Mr Patten needs to talk to the teaching profession about testing and about the national curriculum, I would take issue with the assumptions behind your editorial's critique that it falls into "the twin traps of being insufficiently challenging for academic children, while neglecting the basic skills others need for the world of work".

Though intended to show the over-prescriptive nature of the national curriculum, this illustration perpetuates an outmoded academic/vocational division. Whatever flaws it has, a national school curriculum must seek, surely, to stretch all children, not just the most academic? Equally it should ensure that every child is equipped with at least some of the skills needed for earning a living.

Implying that sufficient intellectual challenge is important for "academic children" while it is more necessary that "others" should become skilled for the world of work is not helpful to anyone. If the largely artificial barrier between academic and vocational learning is being broken down in higher education, it would be sad to see it maintained in schooling.

Without sharing the government's commitment to maintaining the A-level system unchanged, it is possible to sympathise with Mr Patten's objective of presenting people, whatever their age, with an attractive vocational option that encourages more people to contribute to raising the country's skill base. The alternative is to consign work-related learning to a second-best ghetto area.

Alastair Thomson,
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ACT and pensions: short-term gain but long-term loss

From Mr David G V Hudson.

Sir, I was interested to read Norma Cohen's article on Budget changes to ACT and its effect on pensions ("Worse off at the end of the day", April 5).

There are many things about current government policy which are difficult to understand other than on purely hard-nosed money terms (for example, closure of mental hospitals and cuts in legal aid). But even on those terms, considering that in future an increasing percentage of the population will be in the older age brackets, it surely makes good long-term fiscal sense to encourage people to provide for their retirement years. Retirees who have made adequate pension provisions will be less of a drain on public resources in the years to come.

From your reports and others I have read, it seems that the government is charting a course of short-term fiscal gain at the expense of long-term policy.

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Exchange rates: building a reputation and avoiding disorder

From Mr Laurens van den Muyzenberg.

Sir, Dr Popham, in his letter "Best for France and Europe if franc floats" (April 5), accuses me of misinformation. He predicts "a small fall followed by a gradual rise". Real interest rates should be 3 per cent or, for France with 2.5 per cent inflation, 5.5 per cent as compared with 10.5 per cent short term now. What a wondrous world it would be where interest rates could be halved and there would only be "a small fall" in the value of the franc!

This is just a technical point. Also Dr Popham wonders why France would link its currency with the sick German economy. It is because France is now an integral part of a currency block three quarters the size of the US (in terms of GNP), if we just include France, Germany, the Netherlands and Belgium.

Furthermore, it is well proven that strong currencies lead to strong export performance, as shown by Germany and Japan, and a weak currency to poor performance, as shown by the UK. But most important of all is burden sharing. Devaluation would make it even more difficult for Germany to get out of the recession and successfully complete unification.

Also, not too long ago the UK wanted the pound to become the strongest currency in Europe. France wants the same, but that takes time; it takes a long time for France to wear down its reputation as being prone to devaluation. France has come a long way. Floating now would throw away sacrifices already made.

Finally, floating the franc would delay the introduction of a common European currency, the most powerful tool for increasing European trade and prosperity.

Laurens van den Muyzenberg,
managing director,
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From Mr Martin Lam.

Sir, the logic of Mr Grey's gloss (Letters, April 6) on Mr van den Muyzenberg's letter (March 30) is incontestable and points up the paradox that fixed exchange rates must be variable. The worrying question is, how, in a world abounding with economic and financial information, they can be varied effectively but without disorder.

If alignments are sizeable the perfect solution would be to make them when least expected by the market. But this is a contradiction verging on an absurdity. If, at the other extreme, you wait until the commentators and the bankers all agree that the moment has come, then you obviously make it easy for speculators and for those responsible for managing international funds to place their bets. Conditions for automotive alignment are hard to envisage. Small, frequent variations are an option, but would look and feel to the trader rather like floating.

Can the trader and the operator in invisibles have their cake and eat it too? Or must they simply accept the need to pay for some insurance, in the form of hedging, against movements in exchange rates which work for, not against, a reasonable equilibrium?

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FINANCIAL TIMES

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Mr Major's anniversary

ONE YEAR has passed since Mr John Major famously won the general election of April 9th 1992. It has not been a happy twelve months. The prime minister has lost authority. The Conservatives have split over the Maastricht treaty. Britain has endured a demoralising winter. Now, however, economic recovery is on the way and the Maastricht treaty may soon be ratified. The government has an opportunity to set its own agenda, rather than be driven by events.

The prime minister has not been an innocent spectator. Over Europe, he has played a dreadful hand as well as might be expected. This is hardly true over the economy. Mr Major was chancellor of the exchequer when sterling was put into the ERM. His record as prime minister includes misjudgement of the recession; a huge deterioration of the public finances; vainglory about sterling's strength before September 16; the government's row with the Bundesbank over sterling's exit from the ERM; the subsequent failure to change the economic team; and a refusal to draw radical lessons from the debacle.

On polling day last year the Financial Times ruminated about the "dangers of perpetuating in power a weakened and uncertain Conservative party", a party whose manifesto, we said, was "a job lot of ideas with little sense of drive or direction". A year later the government's programme is as fragmented as ever. However, our view last April that the risks of a change to Labour was justified "by a fine margin" has hardly been vindicated by that party's performance in opposition. No wonder the country feels gloomy.

Lost authority

In the next year, the two great areas of responsibility facing Mr Major are, as ever, Europe and the economy. On the first, his hope is to reunite his party around an agenda that promotes both enlargement of the community and decentralisation of its management. Other EC member states may be sufficiently chastened to pay him more attention than they did a year or two ago.

On the economy, what is needed for sustained recovery is to use the gain in competitiveness from devaluation as a platform for long term export-led growth.

The most important precondition will be continued wage constraint. The government needs to articulate a long-term view of wages that goes well beyond the rough justice of its ceiling on public sector pay. It should, for example, announce a direct link between changes in interest rates and trends in wage settlements.

Mr Major will also need to give strong support to Michael Portillo's radical review of public spending, which is an essential component of his effort to bring the public finances under control. He may well have to consider further tax increases as well. Any deflationary effects can and, if necessary, should be offset by lower short-term rates of interest.

Fresh vision

An even more fundamental point is that throughout the UK political system, power is too centralised. This is bad in itself, but worse when it is also poorly exercised. The power of the Treasury is no longer commensurate with its reputation; the case for an independent Bank of England needs to be answered; and more open discussion of major policy options is needed. Advisory panels at the Treasury and on energy policy are a small step in the right direction, but British government still works on the assumption that the man in Whitehall knows best. It is no less important to think through the consequences for accountability and transparency as quangoes take over more governmental functions, particularly at the local level.

On questions of governance, Mr Major has a taste for radical language – for example, proclaiming himself an apostle of open government, but his instincts are conservative; he needs to be bolder. In some other policy areas, education and training is the obvious example, he has inherited an avalanche of change, which needs to be more coherently presented and more effectively delivered.

It is unrealistic perhaps to call for a fresh "vision", but the UK does need a government with policies designed to last for years rather than months. In spite of his small majority, that is the least the prime minister must achieve.

Anglo-German capitalism

The dominance of the banks in the capital markets of continental Europe has always militated against the adoption of Anglo-Saxon financial habits such as hostile takeovers and high payout ratios. Yet the resistance is finally eroding in Europe's pre-eminent bank-based system, Germany. The decision by Daimler-Benz, Germany's biggest industrial group, to adopt US accounting and disclosure requirements to obtain a listing on the New York Stock Exchange is symptomatic. As the capital markets become global, the Anglo-Saxon model is tending, for better or worse, to prevail.

Well-known German companies such as Hoesch in steel and Feldmühle in packaging have recently fallen victim to predators. Shareholder activism, meantime, has been breaking out at the annual general meetings of corporate giants like Siemens and Daimler. Interestingly, Daimler recently decided to unwind a defensive arrangement whereby 25 per cent of its capital was held in a special holding company. Nor is it just domestic shareholders who have been complaining about restrictive voting arrangements. A representative of the California Public Employees' Retirement System (Calpers) shook the management of the conglomerate RWE last year by denouncing the company's restricted voting rights at the annual general meeting.

Shareholder activism

The influence of big pension funds like Calpers is not to be under-estimated. Around 40 per cent of the tradeable shares of German companies is now in foreign hands. German management could afford to ignore foreign owners in the 1980s when companies were cash-rich. But with the domestic economy contracting and profits under severe pressure, access to international capital suddenly becomes important, especially in a system with few funded pension schemes, where private investors prefer bonds.

Daimler-Benz is a case in point. After its acquisition spree in the 1980s it had a heavyweight rights issue in 1989. Over the past year it has wanted to raise a further D-Mark 2bn (£820m) against a difficult market background. Yet its diversification has prompted criticism and profits are forecast to fall for the second year running. Disclosure could help keep the door open to that equity issue.

Improving disclosure

Even without any need to satisfy the requirements of the New York Stock Exchange and the US Securities Exchange Commission, many German companies have been improving disclosure and adopting more generous dividend policies. The trend will continue. Fiscal pressures resulting from unification will cause Germany's privatisation programme to accelerate; foreign investors will be needed to help maximise the government's returns. The ageing of the population could also result in more of the pensions burden being transferred from the state to funded private pension schemes. That, too, would create increased demand for equities.

If the general trend towards a more open capital market ultimately tightens accountability, it may be no bad thing. For all its merits, the German system of corporate governance has been less effective than its Anglo-Saxon equivalent in unravelling the damage caused by promiscuous conglomeration. Supervisory boards have often been slow to push management into focusing on problems in the core business.

That said, there are clear risks in going down the Anglo-Saxon route. Much of the success of German industry has been based precisely on harmonious relations between management and workers within the company, and close relationships outside, with banks, suppliers, government and community. It would be ironic if the Germans were to adopt an Anglo-Saxon-style market in corporate control just as US investors are discovering the joys of 'relationship investing', whereby institutional shareholders make a long-term commitment to a given company and engage in a continuing dialogue with the board.

That, however, is unlikely. The innate conservatism of the German financial system militates against rapid change, as does the powerful vested interest of the banks – which is why it is conceivable that Germany will end up with the best of both worlds.

Caught out by a turning tide

David Marsh argues that Europe faces a radical reshaping of priorities

"To every action there is an equal and opposite reaction."
– Sir Isaac Newton

In 1989-90, a triumphant wave of western liberal capitalism crashed onto the beachhead of central and eastern Europe, washing away communism's rusty hold. Three years later, the western part of the continent is caught in the backwash of its own previous success. Europe has served up a large-scale laboratory demonstration of Newton's third law of motion.

In the east, fragmentation is on the march, illustrated by the war in former Yugoslavia, the disintegration of the former Soviet Union and, less catastrophically, by the break-up of Czechoslovakia. In western Europe, fissiparous forces are at work, too, seen in regional factionalism in Italy and Belgium, or the new economic and social cleavages in unified Germany.

Yet what has crumbled most is political vision and leadership, sapped by economic downturn, unemployment and electoral disenchantment. The fall of the Berlin wall, the unification of Germany and the unravelling of the Soviet empire were cathartic events for which the west was immensely grateful, and immensely unprepared. Western Europe reacted by trying to speed up, through the Maastricht treaty, moves towards EC unity first launched in the 1950s and accelerated by the process of creating a single European market. That was always a debatable choice. In retrospect, it looks like the wrong one.

West European politicians gave priority to deepening integration rather than spreading it eastwards. They failed to realise that the collapse of communism would create a corresponding crisis of adjustment in the west. They did not recognise that the pain accompanying the necessary overhaul of west European structures would diminish ordinary people's enthusiasm for political and economic union.

They foresaw neither the scale of economic problems resulting from German unification, nor the extent to which these would reverberate across Europe. They did not anticipate that the Maastricht plan to replace the D-Mark with a European currency would become an obstacle rather than a catalyst for the reconstruction of Europe.

This was a catalogue of miscalculation. Now, in drawing up the post-Maastricht agenda, west European governments face three interlinked challenges. The most important is to build a stronger economic bridge integrating the eastern and western parts of the Continent. Unless governments master this first task, they are likely to fail in the other two aims: restoring their authority and esteem in the eyes of voters, and succeeding in Europe's economic struggle to keep up with other parts of the industrialised world.

Three years ago, all the goals seemed within reach. In dozens of statesmanly speeches, the talk was of partnership and prosperity, resolution and reward. German and European unity, according to Chancellor Helmut Kohl, were "two sides of the same coin". The coin has since tarnished; the rhetoric has turned sour.

"What's the situation in Europe today? Uncertainty, uncertainty, uncertainty. That's a disaster," says Mr Poul Nyrup Rasmussen, the new Danish prime minister. As current chairman of the EC Council, he believes that Maastricht must be ratified. But, above all, he wants the EC to escape from economic stagnation.

A senior official in the Bonn Chancellery talks of "an accumulation of uncertainties" posed by concerns about immigration and inflation, and by the perception of impotence over the war in Bosnia. He compares Germany to a confused football team. "We have to keep on playing while the rules of the game are being changed."

East and west at least now recognise their interdependence. Across western Europe – not simply in Germany, the only country which has been physically transformed – the upheavals in the east have changed the mood of nations. Would the withering of British self-confidence during the past few years have been quite so severe had the post-Thatcher recession not coincided with the end of the UK's cold war role as a guardian of a divided Europe? In Italy, the eastern earthquakes have contributed to the splintering of the old state and party structures which held the country for so long in the grip of corruption.

In France, the diminishing of President François Mitterrand's public standing was hastened by his futile attempts at the end of 1989 to hold up German unification, and his underestimation, at the time of the hardliners' coup in August 1991, of the forces of reform in the Soviet Union. And in Spain, the fortunes of Mr Felipe Gonzalez are waning partly because, as new eastern horizons open, the country is facing much greater competition in seeking to attract foreign investors and EC subsidies.

Through these setbacks to European hopes runs a common economic thread. High Bundesbank interest rates aimed at restraining the inflationary pressures of German unification have been a principal cause of the European recession. It could be as deep as the one in 1975 (the last year EC economies contracted), and more damaging.

The Maastricht treaty precepts for economic and monetary union (Emu), designed to lay down a path for economic convergence and budgetary rectitude, have so far produced neither. The treaty set targets for fiscal deficits and indebtedness as conditions to determine which EC countries could participate in Emu later in the decade. However, as a result of recession-induced increases in social outlays and cuts in tax receipts, average EC deficits this year will amount to between 5 and 7 per cent of gross domestic product, well above the 3 per cent target.

Although the Maastricht targets are not meant to be reached until 1996 or 1998, a number of countries (including Germany) are likely to continue diverging from them during the next few years. As a result, a treaty ostensibly mapping the route to Emu now appears to contain built-in road-blocks.

One continental European central bank governor, a long-time student of the Bundesbank's scepticism about Emu, says: "I could imagine that the Germans said they [the targets] were necessary because they were impossible to fulfil."

'What's the situation in Europe today? Uncertainty, uncertainty, uncertainty. That's a disaster'

West Europe's economic difficulties would be bad enough if they were merely cyclical. But the EC's falling competitiveness shows they also embody an important structural element.

Many EC countries, led by Germany, have for several years been registering falling shares of international export markets for manufactured goods. The trend is linked to Europe's high labour costs and technological shortcomings compared not only with the US and Japan, but also with the emergent capitalist economies of south-east Asia. The EC ran a trade deficit of $90bn with the rest of the world last year – roughly three times its 1985-90 average. High production costs partly reflect the burdens of running generous welfare systems which – for both economic and demographic reasons – are becoming impossible to maintain.

Reflecting on such structural problems, Mr Alfred Grosser, one of France's leading political scientists, says the European recession is not just "a temporary crisis". Rather, it raises questions "over the way we organise our industrial society".

Mr Grosser, a specialist on the Franco-German relationship, says basic links between the governing classes in Paris and Bonn are in good order. He adds, however: "That's of little significance." Commenting that unemployment and economic uncertainty have created a gulf between governments and ordinary citizens, Mr Grosser says, perhaps overdramatically, "The two countries are in the process of falling apart."

Whatever the effects of recession, Franco-German ties will remain of utmost importance for Europe's future. One emotion at the heart of the relationship is, however, French mistrust of Germany – still not allayed after nearly five decades of post-war co-operation.

According to a survey after last September's French referendum on Maastricht, 21 per cent of France's Yes voters, and 40 per cent of No voters, said that fear of Germany's domination of Europe had determined their voting stance. The chairman of one of France's largest banks says France still has a three or four-year "window of opportunity" in which post-unity Germany will be "vulnerable." During this time, France will be able to negotiate with Bonn; afterwards, Germany will be too powerful.

Mr Jacques Attali, president of the European Bank for Reconstruction and Development (EBRD), has occupied a key vantage point in Paris-Bonn relations, and now has a central role on another part of the European stage. As President Mitterrand's foreign policy adviser during the 1980s, Mr Attali was one of Maastricht's architects. Now, however, Mr Attali calls it "the last treaty of the cold war". The agenda has moved on.

Mr Attali concedes that the main objective of Maastricht is to "get rid of the D-Mark". He stresses the importance of finalising the treaty: "I'll accept the word 'outdated' after it's ratified". But he adds that once the treaty, as he hopes, passes its hurdles in Denmark and the UK, "the EC will have to think of something else".

This could be, Mr Attali suggests, the establishment of a pan-European common market to lock to the west the economies of eastern and central Europe. These countries should also participate, he proposes, in formal political collaboration with the EC, ideally, through immediate full membership.

In common with Mr Attali, Professor Alan Winters, an international trade expert at Birmingham University, complains about EC protectionism in its trade agreements finalised over the last year or so with former Soviet bloc countries.

Prof Winters says: "Noble concern for the welfare of our brothers in eastern Europe has been subverted by entrenched economic interests." He fiercely criticises EC import restrictions in sectors such as steel, agriculture and textiles.

Countries in eastern and central Europe have made impressive strides in switching trade towards the west. But the run-down of traditional industries has been much greater than expected.

Allowing for anticipated modest recovery in 1993, the combined real GDP of Hungary, Poland and the Czech and Slovak republics at the end of this year will be roughly 20 per cent below that in 1988. Even after zero or maybe negative growth in the EC this year, the Community's GDP at the end of 1993 will, by contrast, be 8 to 9 per cent above the 1988 figure.

Mr Jacek Siwicki, investment manager in the Warsaw-based Polish-American Enterprise Fund, dealing with privatisation and acquisitions in Poland, was in 1991 secretary of state in his country's Privatisation Ministry. He says errors were made in forecasting the process of east European transition.

"We did not realise this is not like a turnround of a corporation. It is like a situation after a war – after the atomic bomb has gone off. Millions of people are hurt and injured." Bringing about economic regeneration, he says, "has to be a managed process. You need a surgeon on the battlefield. You cannot leave it all to the markets."

To help organise structural change, Mr Roberto Leonardi, an expert in government relations at the London School of Economics, calls for creation of pan-European organisations similar to the European Coal and Steel Community of the 1950s. Such ideas can find favour with industrialists. The EBRD has established informal links with Eurofer, the European steel producers' federation, to discuss steel overcapacity in east and west.

One board member of Mannesmann, the German engineering group, says everyone would benefit from an orderly sharing out of work between steel companies in the east and west. In view of high German production costs, "The quicker we transfer production eastwards, the less overall jobs [in Germany] we will lose. We will gain new competitiveness, new markets and new volume."

If co-operative arrangements such as this come to the fore, they will reflect a redrawing of European priorities. The links between action and reaction in east and west are now clear. Finding creative and mutually beneficial ways of responding to them is likely to dominate Europe's post-Maastricht agenda.

OBSERVER

Come-back in bear market

■ Stuffed koala bear makers, currently producing Australia's leading tourist goods, are in danger of being overtaken by a backward industry, thanks to aerospace engineer Conrad Stacey.

The Brisbane boffin has used his computer to sharpen the design of boomerangs, which have hitherto lagged behind the bear market as a tourist attraction. The reason is that most of those in the shops won't come back when you throw them. About 85 per cent of them are "rubbish", the country's Boomerang Association says.

Stacey is promising a virtual return-on-sale guarantee for his version, measuring 16in long with a 90 degree bend in the middle, and called the Hooper after the type of pinewood from which it is made. "Even a beginner will get it returning after about 10 minutes' practice," he claims.

Besides selling to visitors, his improvement may start a comeback in the boomerang's popularity with native Australians. Although it was first used by their aboriginal precursors millennia ago, they have since let their throwing skills slip.

The one throwers' club in the country is outnumbered a hundredfold by clubs in America. No Australian has ever won the boomerang world championships, which are to be held next in Japan in 1994. And the world record for long-distance throwing of a round 489 feet is held by a Frenchman, Michel Dufayard.

Electric shock

■ The habits of a boring old utility have been clearly left behind by the biggest of the UK's hived-off electricity generators, National Power. After a mere couple of years in the private sector, it is switching its advisers on and off with unseemly speed.

Out goes Lazard Brothers as principal financial adviser and in comes J Henry Schroder Wagg, while County NatWest has been dumped as joint broker and replaced by Smith New Court. However, even National Power didn't feel brave enough to turn off Cazenove, its other joint broker.

Presumably the privatised generator is lining up ambitious corporate plans.

Schroder's knows more about regulation than most, and Smith New Court has the number one research analyst in the sector. But will Smith ever again issue a sell note on its biggest blue chip client?

Q.E.D.

■ We no longer simply have to take Egyptian President Hosni Mubarak's word that recent terrorism against tourists in his country is the work of interlopers from foreign powers. His claim has now been backed by Egypt's English-language paper, the Gazette, with what it clearly sees as irrefutable evidence.

The attacks could not be masterminded by an Egyptian, it declares in an editorial. "The proof is the way such operations are carried out. It is professional."

'The train-spotters have come out in support'

In duplicate

■ Every Brit in business knows that the interpretation of some obscure point of UK taxation law can represent the difference between profit and loss, at least for smallish companies.

But which professional body is best fitted to watch over the training of future tax experts to advise on the interpreting?

To date, the top qualifying body has been the Institute of Taxation, whose members, including lawyers as well as accountants, have been generally regarded as the ultimate gurus on the subject. Now, however, it faces a challenge from within the Institute of Chartered Accountants in England and Wales whose tax faculty is proposing to set up its own examinations.

The move seems to be taxing tempers.

The faculty's chairman Peter Wyman has complained that institute members have been organising opposition in an attempt to nobble the faculty's exam plans. Besides denying said charge, the institute's president Jennifer Ainsworth has riposted that the duplication "would be divisive, would increase costs, and would cause training difficulties for major employers".

Whichever side may be right, it is gratifying to see the professional experts emitting the sort of heat more usually displayed by those whose role in taxation is merely to pay it.

Obiter dicta

■ How many bona fide two-letter words are there in English? Anyone knowing the answer off pat will probably be an addict of Scrabble (in which short words can be decisive in end-play) and so have cause to lament the death of the game's US inventor Alfred Butts.

As old as the century and an architect by training, he devised the word-based board game in the 1930s only to have it turned down by manufacturers in the field. It was not until the early 1950s that the Macy's retail chain began selling Scrabble, paving the way for an estimated total sale in various languages which still seems low at 100m. He said he earned only a few cents on each.

As for the two-letter words, according to Chambers English Dictionary, the number is 106. The three-letter variety are far more plentiful, with 1,087.

O tempora...

■ Being upstaged, as opposed to let down, by London Transport is a rare experience. But Observer suffered it yesterday at the hands of Camden Underground station, and in an unexpected context: Classical scholarship.

As a public rebuff to the mock-Latin bandied about in this column recently, the station treated early commuters to the genuine article. In the wake of repeated security alerts, the electronic indicator announced "Welcome! Normal service today!", then added a quotation attributed to the poet Horace:

Quamquam festinas – hora no est longa! (Although you're in haste, the delay is not long).

To which the obvious reply is: *Quid ois?* (Is it possible?)

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UN takes new tack on impasse over Srebrenica evacuations

By Robert Mauthner, Diplomatic Editor, in London

GENERAL Philippe Morillon, commander of United Nations forces in Bosnia, yesterday made a fresh attempt to break the humanitarian impasse in Srebrenica, by trying to station Canadian UN troops in the area.

His efforts follow the refusal twice in the last few days by local Moslem commanders to allow convoys bringing in food and medicines to the besieged eastern Bosnian town to evacuate thousands of old and wounded people, women and children on their way back.

The local Moslem leaders took their decision in spite of the suffering of the inhabitants of Srebrenica, whose population has been swollen to 60,000 by refugees from nearby Serb-occupied areas, because they believe the evacuation operation contributes to the Serbs' policy of "ethnic cleansing."

The Serbs make no secret of their desire to incorporate the Srebrenica region, which has been allocated by international mediators Mr Cyrus Vance and Lord Owen to the Bosnian Moslems, into a Serb-dominated province.

However, Moslem officials have indicated that, if Srebrenica can be assured of UN protection in the guise of a Canadian "blue helmets" unit, they would be prepared to allow the resumption of the UN's evacuation operation.

An advance party of Canadian troops left its central Bosnian base yesterday, while the rest of the company, totalling 150 men, was due to arrive in Srebrenica today, the UN said.

The Bosnian Serb army command had been informed of the mission, but had not yet given its reply.

In Brussels meanwhile, the approval by Nato ambassadors of final plans for using alliance fighters to enforce the UN no-fly zone over Bosnia, hit a last-minute snag as a result of French concerns about the rules of engagement.

French officials said France was anxious to make sure the no-fly zone was not enforced in such a provocative way that it drew everyone into a war.

As a result, it is possible that final approval will be delayed until today or next week.

In Sarajevo, snipers killed four civilians trying to cross the airport runway after Bosnian commanders failed to sign a safe passage deal reached with their Serb adversaries.

Peace plan in trouble, Page 2
Fighting fear in west, Page 2
Germany's Nato role, Page 3

Fierce debate expected over spending plans and proposed tax increases

Clinton to unveil detailed budget

By George Graham in Washington

THE US administration is to publish its full budget today, fleshing out the basic economic package put forward by President Bill Clinton in February.

However, this broad framework has already been altered by Congress, and the details of how the administration plans to increase taxes and cut specific programmes from beekeepers' subsidies to space stations will pave the way for fierce congressional battles in coming months.

Several department heads have found it impossible in the 11 weeks since they took office to reshape their budgets in any significant way. Mr Les Aspin, secretary of defence, has acknowledged that his department's budget is "treading water" until he can carry out a review of military needs and objectives from the bottom up.

Nevertheless, the budget will bear the marks of the new Democratic administration, with lower defence spending and higher taxes on the wealthy aimed at cutting the deficit, and increased spending on environment, technology and infrastructure projects.

The budget resolution passed by Congress sets out a path for government spending to climb from $1,507bn in 1994 to $1,801bn in 1998. This trims cumulative outlays over the five years by $218bn from the baseline budget submitted by former president George Bush just before he left office and by $19bn from Mr Clinton's original plan.

Revenues are to rise from $1,242bn in 1994 to $1,554bn in 1998, $148bn more over five years than the Bush baseline and $48bn more than Mr Clinton's original plan. The budget deficit is projected to fall from $262bn in 1994 to $193bn in 1997, before climbing again to $202bn in 1998.

These deficit projections, however, could be reduced still further if Mr Clinton is unable to persuade the Senate to pass the $16bn stimulus spending bill which he says is necessary to provide an immediate boost to the economy and ensure that the recovery does not peter out.

The Republican minority in the Senate has so far succeeded in blocking the bill. Mr Clinton has agreed to discuss changes to meet some of their objections, but he is fighting to preserve the bulk of the bill.

Mr Robert Reich, the labour secretary, said yesterday the administration would be willing to consider eliminating specific items from the bill, but defended its spending on areas such as education, bridges and roads.

British prime minister John Major (centre, in glasses) goes walkabout in Coleraine, Northern Ireland, with security men and police

UK moves to restart N Ireland talks

By Ralph Atkins in London

THE UK GOVERNMENT is to draw up its own proposals for a devolved government in Northern Ireland in an attempt to restart political talks in the province, Mr John Major, the prime minister, announced yesterday.

Increasing the pressure on Unionist and nationalist politicians to resume negotiations, the prime minister said: "There is an opportunity to catch the mood, to achieve a political accommodation." He would be proposing an "early start" to new talks.

Fresh reminders of the continuing terrorist threat came last night when a bomb exploded outside a Conservative club in London. Earlier three soldiers were wounded in an IRA mortar attack in Northern Ireland.

Mr Major last night returned from Northern Ireland to join Mrs Mary Robinson, Irish president, in attending a memorial service for the two victims of an IRA bomb attack in Warrington last month.

Adding to the impression of a growing consensus over Northern Ireland's future, US president Bill Clinton sent a strongly worded message condemning those who "support and perpetuate" violence – suggesting he is determined not to give any succour to IRA supporters in the US.

However, the Northern Ireland Office yesterday appeared undecided about what the government's proposals for Northern Ireland will involve. The move, however, will end ministers' past role as "neutral" arbiters between local politicians and the Irish government.

Sir Patrick Mayhew has said he he would like to devolve wide-ranging powers to a new Northern Ireland administration – "at least" to the same degree as the Stormont government that was suspended in 1972.

The starting point will be the limited support achieved in last year's talks for a new assembly plus executive for the province. Sir Patrick could also propose new mechanisms for involving the Irish Republic in Northern Ireland and protecting the nationalist minority.

The main Northern Ireland parties appeared content yesterday to resume talks after the province's local elections in May – although they may be low key and based on informal groups.

However, the Unionist and nationalist traditions appear as far apart as ever on the main elements of any political settlement. Mr Ian Paisley, leader of the Democratic Unionist party, hinted he was still looking for firmer assurances that the Irish government is prepared to negotiate away its constitutional claim on the north before he entered talks with any enthusiasm.

Stalin's secret nuclear city

Continued from Page 1

side world – not least because of a reduction in special state support which used to make its isolation profitable – it is the victim of difficulties in transforming Russia's military-industrial machine.

Mr Nicolai Yegorov, deputy atomic energy minister, said last month that Tomsk-7 had to continue to produce fresh plutonium until it had a centre to recycle ageing plutonium which needs to be replaced periodically in nuclear weapons not covered by arms reductions treaties.

In an illustration of how military and civilian economies were linked in the Soviet Union, Mr Yegorev said another reason the two reactors could not be closed down until the year 2000 was because they provided 40 per cent of the heating for the nearby city of Tomsk, the regional capital.

N. Sea oil industry says tax changes threaten exploration

By Deborah Hargreaves in London

NORTH SEA oil operators are preparing to warn the government that they will scale down oil exploration severely if changes to Petroleum Revenue Tax proposed in the Budget become law.

The UK Offshore Operators' Association, the oil industry group, has drafted a letter to the Department of Trade and Industry, saying that many companies will be unable to meet previous commitments made to the government over future drilling activity because of the planned PRT changes.

A survey published yesterday by Ernst and Young, the accountants, found that 85 per cent of oil companies expect job losses to result from the PRT changes. Some 40 per cent expected losses to be much higher than the Treasury's estimate of 10,000.

The changes to the PRT regime would reduce the tax rate for existing oilfields from 75 per cent to 50 per cent and abolish it for new fields. The chancellor also proposed to abolish tax relief for exploration and appraisal work. This means that companies will have to pay 64p for every pound spent on drilling activity, compared with 17p now.

Companies say they applied for previous licences to explore for oil in the North Sea on the basis that the rules would stay the same. As part of those applications, they committed themselves to drilling a certain number of wells. Analysts say the industry is commited to drilling 170 wells over the next couple of years. Last year 116 wells were drilled.

If no tax relief is available for exploration, many companies will be unable to fulfil their obligations, the industry argues. But its response is complicated by a row between winners and losers from the changes. Amerada Hess has said it will halve its exploration activity, but British Petroleum said the changes would improve recovery of oil from existing fields.

Many companies want transitional relief – the chancellor has said that if companies had already entered into contracts for drilling wells, they can still apply for tax relief. Companies want that to be extended to firm commitments for drilling wells.

Oil sector at odds, Page 9

World Weather

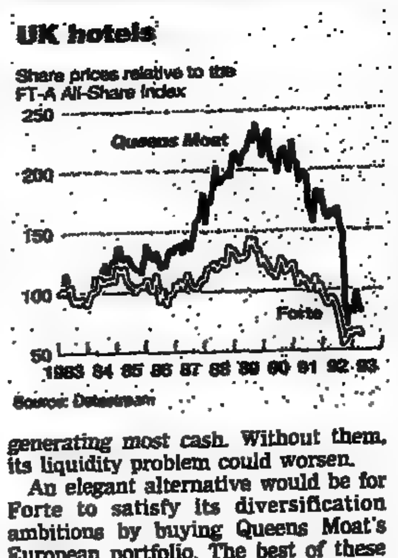
		°C	°F
Ajaccio	S	18	64
Algiers	S	22	72
Amsterdam	C	8	46
Athens	S	16	61
Bahrain	S	26	79
Bangkok	C	35	95
Barcelona	S	19	66
Beijing	S	11	52
Beirut	C	19	66
Belfast	C	9	48
Belgrade	F	15	59
Berlin	C	9	48
Bermuda	F	22	72
Bombay	S	33	91
Bordeaux	C	15	59
Boulogne	Dr	8	46
Brussels	Dr	8	46
Budapest	C	11	52
Buenos Aires	R	22	71
Cairo	F	24	75
Cape Town	S	21	70
Caracas	F	32	90
Casablanca †	S	18	64
Chicago †	C	5	41
Cologne	R	8	46
Copenhagen	F	8	46
Corfu	F	15	59
Dallas †	T	14	57
Dublin	Dr	10	50
Dubrovnik	R	11	52
Edinburgh	R	10	50
Faro	S	21	70
Florence	C	15	59
Frankfurt	C	10	50
Geneva	R	12	54
Gibraltar	F	16	61
Glasgow	C	11	52
Helsinki	C	8	46
Hong Kong	F	17	63
Innsbruck	C	10	50
Inverness	C	8	46
Islamabad	F	29	84
Istanbul	F	10	50
Jakarta	R	32	90
Johannesburg	F	23	73
Lisbon	S	21	70
London	[illegible]	9	48
Los Angeles †	S	11	52
Luxembourg	C	8	46
Madeira	S	17	63
Madrid	S	22	72
Majorca	S	18	64
Malaga	S	19	66
Malta	S	19	66
Manila	F	34	93
Melbourne	S	20	68
Mexico City	F	27	80
Miami †	S	18	64
Milan	S	19	66
Montreal †	S	1	34
Moscow	C	9	48
Munich	H	8	46
Nairobi		-	-
Naples	F	17	63
Nassau	C	28	82
New Delhi	C	28	82
New York †	[illegible]	6	43
Nice	F	15	59
Nicosia	S	17	63
Oporto	S	15	59
Oslo	R	5	41
Paris	C	11	52
Prague	F	7	45
Reykjavik	F	6	43
Rhodes	S	16	61
Rio de Janeiro	F	38	100
Rome	F	16	61
Salzburg	F	9	48
S'Francisco †	F	11	52
Seoul	S	6	43
Singapore	C	27	81
Stockholm	R	4	39
Strasbourg	C	12	54
Sydney	S	24	75
Taipei	R	17	63
Tangier	S	22	72
Tel Aviv	S	22	72
Tenerife	S	20	68
Tokyo	S	16	61
Toronto †	S	1	34
Tunis	S	23	73
Valencia	S	23	73
Venice	S	14	57
Vienna	F	12	54
Warsaw	C	9	48
Washington †	S	6	43
Zurich	F	9	48

Temperatures at midday yesterday
† Noon GMT temperatures
C–Cloudy Dr–Drizzle
F–Fair Fg–Fog H–Hail
R–Rain S–Sunny
Sl–Sleet Sn–Snow
T–Thunder

THE LEX COLUMN

Ringing the change

FT-SE Index: 2822.6 (-10.1)



Even those excluded from the global syndicate formed to market the third tranche of the UK's BT privatisation must admit that the structure is a sign of the times. In a global equity market it makes sense for large international issues to be marketed globally by investment banks with worldwide reach. In the last BT sale, cross-border marketing was permitted only to SG Warburg. This time the geographical restriction has been relaxed. The hope is that the sale will proceed more smoothly as a result.

Still, the UK Treasury is taking some risks. The structure also gives 11 banks exclusive rights to market the paper to the 500 top institutions worldwide who would anyway be expected to take up the lion's share of the issue. It is to be hoped that in return for this privilege members of this group will compete effectively against each other. Otherwise the arrangement will go down simply as providing jobs for the boys. This risk would be higher if the selection process were distorted for political reasons, for example in the vain hope of reciprocity in other countries' privatisation deals.

One test will be whether overseas buyers take up more than the 40 per cent share of the institutional tranche they absorbed last time round. The talents of BZW and NatWest Securities would then have been put to good use. The risk is that the opposite happens and that the likes of Daiwa and Paribas discover hitherto undreamed of skills in selling to UK institutions. Having been given the opportunity, they will presumably try their best.

Queens Moat

Comforting though it is that Queens Moat Houses still has positive net worth, that addresses only part of the concern. The company also faces the task of generating enough cash to service debts which must easily exceed £1bn. Hotels traditionally generate little cash, which perhaps explains why many chains are part of diversified groups and why Queens Moat, as a pure hotel business, had recurrent need for outside funds. Its cash problem is now compounded by the downturn in Germany and by self-inflicted damage from its manager incentive scheme. One solution would be a programme of disposals. That would worry other operators because of its impact on the already depressed values of UK provincial hotels. Nor would it necessarily help Queens Moat. The easiest hotels to sell would be those generating most cash. Without them, its liquidity problem could worsen.

An elegant alternative would be for Forte to satisfy its diversification ambitions by buying Queens Moat's European portfolio. The best of these hotels operate under the competing Holiday Inn franchise, though, and Forte may use the the Queens Moat crisis as cover to cut its own - uncovered - dividend next week. Rebasing the payout could open the way to an eventual rights issue. But funds would mostly be needed to repay debt leaving room for little more than a nibble at Queens Moat. Bank lenders may end up effectively running the company for some time. Since they will be squeezing out what cash they can, competitors can expect some pretty aggressive pricing.

ICL

Few investors would experience paroxysms of excitement at the prospect of investing in a company which generates just £26m of distributable profits on sales of £2.5bn. Throw in fast-changing markets, weighty capital spending needs and ferocious competition and it all adds up to a seemingly unpalatable brew. Yet some time before the end of 1995, ICL, the UK's flagship computer company in which Fujitsu holds an 80 per cent stake, is committed to a partial flotation. It would be wise to be patient.

Yesterday's results certainly showed ICL to be performing more resiliently than most dared hope. To record any profit in today's unforgiving computer markets ranks as a considerable achievement. ICL has proved nimbler than most in moving away from mainframe markets into more profitable services and mid-range systems. It has also demonstrated stringent management controls, mitigating a 6 percentage point fall in gross margins by cutting its operating expenses to revenue ratio by 2 points.

Yet there are few signs of any market upswing; indeed trading conditions may deteriorate further this year. This makes the timing of any flotation tricky given the momentum of expectation building both within and outside the company. It would be a shame if ICL felt compelled to fatten itself up for the market and let short-term considerations impinge on its development. Its alliance with Fujitsu has created the confidence to increase research and development expenditure and make acquisitions throughout the recession.

Nurdin & Peacock

Nurdin & Peacock's 9 per cent increase in annual pre-tax profits represented a better performance than the market expected. But the company's bold departure this year in investing £20m in opening two US-style warehouse clubs either suggests a high degree of fear about the future of its cash-and-carry business or unaccustomed aggression about opportunities in retailing.

Although well-trailed, N&P's move is likely to be seen as a further blow to sentiment in the ravaged food retailing sector. Warehouse clubs, selling a narrow range of heavily discounted goods, will not quickly win huge slices of market share. Mainstream retailers will not worry greatly about N&P given its unproven retailing skills – although the arrival of Costco of the US is a more serious proposition. The worry is that the warehouses will lead to greater consumer fixation with price, lowering the margin structure throughout the industry.

Norwich Union

The chancellor should not quake in his boots to find Norwich Union thinking of switching from gilts into equities. Investment fundamentals aside, the move into bonds 18 months ago was not unrelated to the declining free asset ratio of Norwich Union's main life assurance fund. Since the strength of the fund has improved it is only natural for investment strategy to adapt. There are plenty more life and pension funds with good reasons of their own for favouring gilts.

FINANCIAL TIMES
COMPANIES & MARKETS

Thursday April 8 1993

INSIDE

New products help L'Oréal rise 16%

Cosmetic company L'Oréal *mustered* a 16 per cent increase in pre-tax profits to FFr4bn ($741m) in 1992 from FFr3.45bn in 1991, mainly because of *the success of new* products, said Mr Lindsay Owen-Jones, chairman and chief executive. Page 18

GM strengthens

General Motors, the US carmaker, said first quarter *sales were stronger* than predicted, and it expected to post improved results for the period. It is due to report its earnings later this month. Page 19

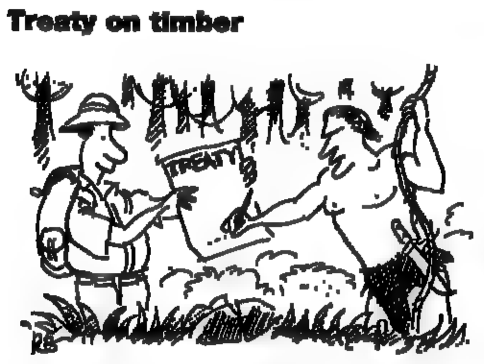
Further loss for Speyhawk

Speyhawk, the technically insolvent property developer, yesterday announced a pre-tax loss of £89.8m ($136m) for the year ended September 30. This loss, which followed a £216.8m loss in the *previous year*, resulted mainly from further write-downs of £67.3m against investment and development properties. Page 24

Upturn expected in Austria

Just over a month ago a fall in Austrian interest rates helped the ATX index to a peak of 860.17. Then a combination of a technical correction, negative economic and corporate news and political uncertainty cut the rally short. Some analysts say prices might go through another upturn of 10 to 15 per cent in the summer, if short-term interest rates continue to fall. Back Page

Treaty on timber



Negotiations on a tropical timber accord to replace the 1983 United Nations agreement begin next week amid pressure from environmental groups for tougher rules on forest conservation. Producers will press rich nations to share the burden of tropical forest conservation by increasing financial assistance and facilitating technology transfer. Page 32

FT-Actuaries World Indices

A new structure of industrial sector classifications *for the has* been published in draft form by the committee which supervises the indices. An outline of the new structure is published in this issue. Details, Page 20

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Colonia Konzern	950	+	25
Daimler-Benz	583.8	+	16.7
Mercedes Hld	545	+	19
Rheinelektra	951	+	27
Falls			
BMW (Br)	477	-	11
Beiersdorf	750	-	[illegible]

NEW YORK ($)

Rises			
Amer Airlines	67⅝	+	1⅛
Bear Stearns	18½	+	⅝
USAir	22½	+	1⅛
Falls			
Asarco	21	-	1
Cyprus Minerals	37⅞	-	2
Phelps Dodge	44⅝	-	2

New York prices at 12.30pm.

PARIS (FFr)

Rises			
Eridania B-Say	737	+	37
Pinault Printemps	721	+	15
Selimeg	491	+	16
Falls			
BSN	973	-	19
Fonc Lyonnaise	630	-	40
Roussel-Uclaf	550	-	15

TOKYO (Yen)

Rises			
Aderans	1580	+	180
Akita Bank	690	+	79
Juroku Bank	570	+	65
Meitec	1340	+	200
Sanrio	1850	+	300
Toyo Info	1400	+	170

LONDON (Pence)

Rises			
Ashley Assoc	[illegible]	+	3
Ariva Pet	45	+	5
Fiedach	85	+	7
Gewett & Co	280	+	14
Hurdin & Pea	278	+	9
Pegasus	180	+	9
Pelican	58	+	8
Sun Alliance	354	+	12
Falls			
Allied-Lyons	558	-	12
BAT Inds	874	-	8
Forward Grp	185	-	13
Frost	189	-	14
Guinness	484	-	14
RTZ	655	-	12
Rothmans	615	-	27
Sherwood Comp	311	-	29
Sketchley	98	-	14
Speyhawk	8	-	4
Wellcome	868	-	23
Wilkes (J)	66	-	4

US watchdog wants stock options disclosed

By Karen Zagor in New York

US COMPANIES will have to disclose the value of options granted to executives and deduct them from profits under an accounting rule change proposed yesterday by the Financial Accounting Standards Board (FASB).

However, FASB, a private sector group which sets standards for the accounting industry, tried to placate institutional investors, who have argued in favour of the changes, and companies who have opposed them, by proposing a three-year interim measure. The full force of the proposal would not take effect until 1997.

Stocks options can bloat an executive's salary. In 1992, Blockbuster Entertainment's chief executive had $65.7m in stock *option gains, the head of Toys 'R'* Us received $30.5m from stock options and Chrysler's Mr Lee Iacocca reaped profits of $5.8m in stock options.

Under the plan, *grants of stock* options would be listed in a table in the footnotes of financial statements for three years after the accounting change is approved. Thereafter, *stock* options would be recognised as an expense on the day the options are granted, but the expense would be spread *over the entire vesting period.*

The stock would be valued using an options pricing model that would take company growth and the stock's volatility into account.

FASB has been under pressure to change the rules governing stock options since 1991, when Michigan senator Mr Carl Levin introduced a bill that would require stock options to be valued and charged against earnings. Senator Levin recently reintroduced the bill to force an *accounting charge if a FASB rule* is not adopted soon.

While institutional shareholder groups have supported the proposed accounting change, some *corporations* have *opposed* it. Treasury secretary Mr Lloyd Bentsen wrote to FASB voicing his reservations about the proposal "which would require com*panies to take a highly debatable* charge to earnings when granting stock options".

Mr Bentsen has called for an alternative that would stress full *disclosure without changing cur*rent accounting rules.

The FASB proposal comes at a time of increasingly tough rules governing disclosure of executive pay.

Swissair claims lead in European airline link-up

By Ian Rodger in Zurich

SWISSAIR yesterday claimed to be leading the negotiations among four medium-sized European airlines that could result in their merger. "The initiative is on our *side, even if we are more reserved* than some others," Mr Otto Loepfe, president, said at the Swiss airline group's annual press conference.

The airlines – KLM Royal Dutch Air*lines, Scandinavian Airlines System,* Austrian Airlines and Swissair – announced in January that they were studying ways of intensifying co-operation to improve their competitiveness. Since then, the other airlines *have speculated on the out*come of the talks but Swissair has said nothing. "It is not that we are hesitant," Mr Loepfe said yesterday. But the negotiations were very complex and decisions *could not be* reached quickly.

Mr Hannes Goetz, chairman, said Swissair's objective in the negotiations was to increase the "mutual commitment" of the partners. A merger was possible, but it *would take a long time and would* threaten each company's traffic rights.

"We would like to look for a form of company which could be established without the need for any change in national *airline legislation* or any loss of traffic rights," Mr Goetz said.

He said the discussions were focusing on a decentralised model for operations, and made clear that Swissair intended to maintain its global identity.

"Swissair is and aims to stay part of a global airline system," he said. Its existing co-operation agreements with Delta Air Lines of the US and Singapore Airlines were vital to this strategy, he added.

Mr Loepfe predicted that many long established airlines would disappear in the near future "at least in their present form", but Swissair would not be one of them. He said that if a co-operation plan among the four European airlines went ahead, then they would have to decide which was the best US partner. KLM has a large minority stake in Northwest Airlines.

Swissair's results in the first few months were "encouraging", said Mr Loepfe, and the group was confident of a profit this year. Last year, net income rose 36.1 per cent to SFr113m ($76m). However, the group would have been in loss but for SFr179m proceeds from aircraft sales.

Audi and Porsche in new sports car venture

By Christopher Parkes in Munich

AUDI, the Volkswagen group's quality car subsidiary, will shortly launch a new model developed and built in collabora*tion with sports-specialist* Porsche.

The still-secret newcomer will be unveiled in September and deliveries will start next year, Mr Franz-Josef Kortüm, Audi chief executive, said yesterday.

The venture would help stabilise loss-making Porsche, but association with such a high-quality *manufacturer would* also aid Audi in its efforts to establish itself alongside Mercedes-Benz and *BMW* as a top-rank marque. Mr Ferdinand Piëch, VW group chief executive, is also a member of the family which controls Porsche. Mr Piëch, who last week unveiled a *DM1.25bn* ($770m) first-quarter loss for the group, was head of Audi until the end of last year.

Audi also fell into loss in the first quarter, *Mr Kortüm said,* during which production was slashed 42 per cent to 76,000 cars. But in contrast to the parent, which is aiming to break even in the full 12 months, Audi was well placed to show a profit, he said.

Deliveries to customers in the first three months of this year, down *31* per cent at *95,000* vehicles, had been partly maintained from stocks built up after the slump struck in the second half of 1992. Sales in Germany were so far down 37 per cent at 43,000 units and turnover had fallen 36 per cent to DM2.8bn. Full 1992 figures, released yesterday, showed net profits down from *DM370m* to *DM172m* on record turnover of DM16.7bn and peak deliveries of 490,000 cars.

Audi this year expected to benefit from lower input costs stemming from co-ordinated group buying and further job cuts. Some 4,000 of the 37,700 workers are expected to go, bringing the workforce down to levels last seen 10 years ago, when the company made 380,000 cars a year. "The joint venture with Porsche makes it self-evident that we are talking about a very sporty vehicle," *Mr* Mr Kortüm *said. It* will be sold exclusively under the Audi badge and based on an existing production model.

The deal signals the shelving of the company's Spyder sports car project unveiled to critical acclaim in 1991. Market conditions had changed since the Spyder was first conceived, Mr Kortüm said.

John Gapper reports on how the UK bank hopes to avoid the lending mistakes of the past

Barclays closes the book on an unhappy chapter

The senior Barclays executive in charge of approving many of the poor loans which led to a £242m ($367m) pretax loss at the UK bank last year is to leave.

Barclays said yesterday that Mr Mark Deverell, 52, the director of risk management, had "agreed to leave". The bank is also announcing today a new structure to control and balance its lending. The reforms include *the breaking-up of the* "central advances department" which Mr Deverell headed.

Mr Deverell, former chief executive of Barclays' subsidiary in Australia, took over risk management in 1989. The property lending which contributed to £1.96bn provisions for UK bad debts last year rose rapidly in 1989 and 1990.

Barclays' management has faced sustained criticism by investors. Mr Andrew Buxton, the bank's chairman and chief *executive, has announced* that it will appoint a new chief executive from outside the bank this year.

The bank will disclose its new *structure* for controlling risk – along with Mr Deverell's departure from May – to its managers today. It has appointed Mr Brown, 47, and formerly chief executive of Barclays in Japan, to take charge as director of group credit policy.

Mr Brown said he intended to reduce lending to property, con*struction and hotel companies.* He said executives had been too rushed by the growth of loans in the late 1980s *to balance the lend*ing properly.

"We undoubtedly feel that we were too aggressive in that period. That means you take on business at a speed which makes your executives so busy that they cannot be as thorough as they could be before," said Mr Brown.

He says the balance of loans was distorted towards property, construction and hotels because the 500 managers and staff under Mr Deverell were swamped: "We had the classic business dilemma of choosing *between things that* are important and things that are urgent. The balance was wrong."

Barclays' past lending *errors* can *be seen* by comparing its portfolio and provisions with those of National Westminster, the second largest British bank by assets. The banks have lent in roughly the same proportions to *most sectors,* but Barclays has much more exposure to property and construction.

Barclays was always strong in property and construction. But the two sectors proved *far more* risky than in the past. Together, *they accounted* for only 11.9 per cent of its loan book last year. But 88 per cent of its £1.96bn provision against UK lending in the UK related to them.

A second problem was over the approval and monitoring of individual *loans. Each loan of* more than £5m was approved by at least one executive in CAD, and monitored by the bank's risk management committee. This comprised senior directors and executives which reviewed bad *debts and exposures.*

Mr Brown says that this committee – despite the emphasis placed on it in Barclays' annual report – met infrequently.

"They did not meet on individual loans unless there was a spe*cial reason. They passed* the proposition around. The first person signed, and then the second, and so on," he says. "There was a danger that because the first person said yes, so did the others."

Under Barclays' new structure – *which will be put in place this* month – there will be three changes.

The first is that Mr Brown will head new "group credit policy unit" which will monitor exposures and balancing the portfolio. *Mr Brown says this means there* will be a smaller proportion of property lending, as well as shifts in country exposure, and the repricing of loans in some other lending areas.

"We have still got a big busi*ness here.* We are not talking about dumping whole categories of customers, but of lightening the load in certain areas," he says.

He expects that over two years, the bank will be able to rebalance its portfolio to match a new computer model of credit risk it is developing.

The model is expected to be applied to all but the smallest loans within a year. *It rates risk* according to factors such as industry sector, company size and history, and financial information.

Barclays has drawn it up using data on large loans dating back six years in the UK.

The second change is that the loan approval responsibility of the CAD will be broken up. Instead, there will be separate risk management departments within the banking and investment banking divisions. This is intended to give a greater sense of responsibility for loans to those who make them.

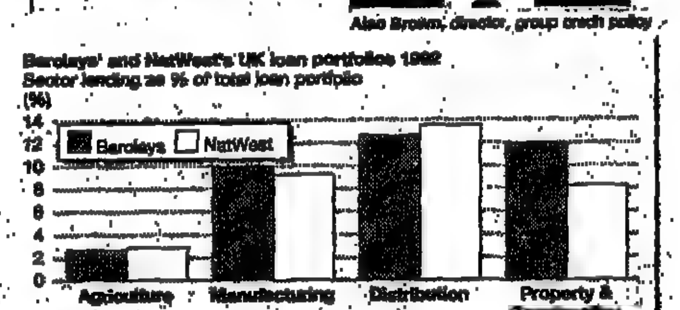
All loans which would have had to be approved within the CAD *previously* will be allocated to a single "responsible executive" within the line divisions. This executive – drawn from a group of about 150 around the *world – will have to follow each* loan through to the end.

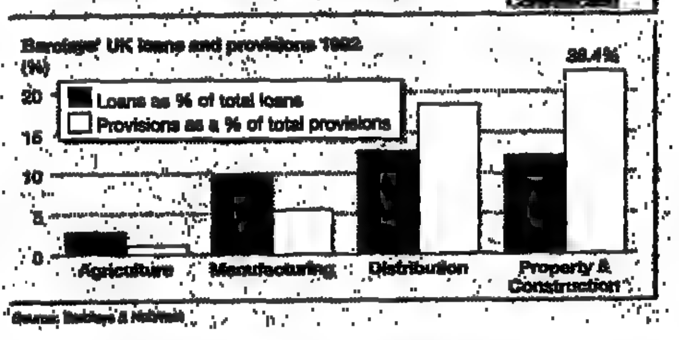
The third change is that the rarely-meeting risk management committee is being scrapped, and a "group credit committee" will be put in its place. This will be chaired by *Mr* Humphrey Norrington, a vice chairman of Barclays, and will meet daily to discuss individual exposures of above £150m.

Will this new scrutiny leave a bank that just looks like all the rest? *Mr Brown* says it wants to remain distinctive, but its tradi*tions* will be under scrutiny. "Where we are different, we will want to have asked ourselves why in a diligent, professional manner," he says.

Rebalancing act

Alan Brown, director, group credit policy





Source: Barclays & NatWest

BARCLAYS BANK has added £200m ($303m) to its capital base at an attractive cost, by using an innovative structure which may be imitated by other banks, writes Tracy Corrigan.

The structure of the undated, subordinated issue gives the bank the option of extending the maturity of the debt indefinitely.

Unlike most perpetual debt, *the upfront cost of the deal is* only about half a percentage point more than for dated, subordinated debt, for the first 15 years.

"If investors accept that this is the correct pricing, we could certainly see more of these deals," said one UK investment banker.
International bonds, Page 22

ICL profits halved due to competition

By Alan Cane in London

ICL, the UK-based computer company in which Fujitsu of Japan has a majority stake, saw profits before tax almost halved last year because of the price competition and harsh market conditions afflicting almost every computer manufacturer today.

Revenues, however, rose 32 per cent and the company generated net cash flow from operations of £240m ($364m).

Profits before interest and tax were £60.6m, compared with £78.9m last year, a decline of 23 per cent. Profits before tax were £38.6m, compared with £62.4m last year, down 38 per cent.

Revenues rose £2.48bn from £1.87bn last year. Mr Peter Bonfield, ICL chairman and chief executive, said most of the growth was the result of the consolidation of acquisitions including Nokia Data and Sorbus. Organic growth was probably only 5 per cent. The overall market, however, was either flat or in decline, implying the company had performed well to show growth at all.

ICL spent £242m on research and development in 1992, 8.5 per cent more than in 1991, chiefly in the development of new personal computer models manufactured *by the Nokia data subsidiary. It* is now a significant player in the European PC market.

Net debt at December 31 was £94.2m, equivalent to a gearing of 85 per cent after capital expenditure, acquisitions, rationalisation costs and financing charges.

ICL's results are of more than academic interest to the London market because of *Fujitsu's* intention to float at least 25 per cent of the company at a minimum price of 225p a share by 1995. Plans for the flotation are still on track, Mr Bonfield said. Advisers and merchant bankers had been appointed.

Mr Keith Todd, director of finance, said operating expenses had been driven down from 25 per cent in 1991 to 23 per cent last year and further improvement was expected in 1993. The acquisition of Technology, a computing services company and personal computer distributor which traditionally operates on narrow margins, had been a catalyst for the rest of the company, he said.

ICL now had important strategic alliances with Fujitsu for large systems, Sun Microsystems of the US for mid-range machines and Microsoft in the PC area.
Lex, Page 16

Michelin remains gloomy despite return to profit

By David Buchan in Paris

MICHELIN, the world's largest tyremaker, is to launch another cost-cutting plan in spite of a profit of FFr79m ($14.6m) in 1992.

After losses of FFr4.8bn in 1990 and FFr699m in 1991, last year's small profit came on worldwide sales which were steady in terms of volume, but fell by 1.2 per cent in value to FFr66.8bn because of the decline of the US dollar and several European currencies against the French franc.

Mr Eric Bourdais de Charbonnière, finance director, said the group was aiming to save FFr3.5bn over the next two years. He did not rule out further job losses, particularly in Europe. The company made 16,000 redundancies in 1991-92 and introduced short-time working in its French factories.

Michelin forecast that, if the second quarter of this year showed no improvement over the first quarter, it would record a loss for the first six months of 1993.

In spite of the poor economic climate, sales of replacement tyres could increase as car and truck owners used their existing vehicles longer instead of buying new ones, Michelin said. The fall in the European market in the second half of last year offset the upturn in the US market and virtually wiped out its first-half profit of FFr820m.

The company is paying a FFr1.60 dividend on its fully-paid A shares and FFr1.50 on B shares.

With its Uniroyal-Goodrich operations in the US, Michelin claimed to have maintained last year its 20 per cent share of the world market, against Bridgestone with 16.5 per cent and Goodyear with 16 per cent.

The company's gloomy predictions for 1993 helped send its shares down in early trading on the Paris bourse, even though Mr Bourdais de Charbonnière yesterday ruled out any early capital increase, a possibility that had recently depressed Michelin stock.

Premafin shares hit by warning of losses

By Haig Simonian in Milan

SHARES in Premafin, the Italian holding company controlled by property magnate Mr Salvatore Ligresti, fell by more than 8 per cent following the forecast of heavy 1992 losses and a big rights issue.

The group announced the promotion to executive deputy chairman of Mr Giorgio Cefis, a former Morgan Grenfell banker, and the appointment of Mr Carlo Ciani, managing director of the Coin department stores chain and previously with Mediobanca, as executive deputy chairman of Mr Ligresti's privately-owned Nuova Finanziaria Moderna holding company.

Premafin's shares plunged to L4,330 from L4,685 on Tuesday as investors digested the group's L394bn ($185.4m) rights issue and expected 1992 loss of L56bn. In 1991, the company made net profits of L61.9bn. The group will not pay a dividend this year and plans a three-for-one rights issue at L1,000 a share. Mr Ligresti, who owns 70 per cent of the group, will take up his full rights.

The fortunes of Premafin, which controls Sai (insurance) and Grassetto (building), have suffered from debts of about L1,500bn, the downturn in construction as a result of the political corruption scandal and weak property markets.

Matters have been exacerbated by doubts about Mr Ligresti's future. The Sicilian financier spent more than three months in jail last year on charges of alleged bribery and corruption.

The Ligresti group is to reorganise other parts of its business, with the concentration under the non-quoted Nuova Finanziaria Moderna holding company of activities previously held under the Fin. G. It holding company and other subsidiaries.

● Banca Nazionale del Lavoro, the Italian Treasury-owned bank, saw a 17.1 per cent rise in consolidated group profits to L96bn last year from L82bn in 1991. Assets rose 13.6 per cent to L163,341bn.

L'Oréal lifted by strong sales

By Alice Rawsthorn in Paris

L'OREAL, the largest cosmetics company, mustered a 16 per cent increase in pre-tax profits to FFr4bn ($741m) in 1992 from FFr3.45bn in 1991, in spite of the sluggish state of the global beauty products industry.

Mr Lindsay Owen-Jones, chairman and chief executive, said that the group had overcome difficult economic climate due to the success of new products, notably the Lancôme skin care range and Trésor, the fragrance, and a strong performance from the Synthélabo pharmaceuticals subsidiary.

L'Oréal is subject to speculation about its ownership. The group is controlled by Mrs Liliane Bettencourt, the founder's daughter, who owns 51 per cent of Gesparal, the holding company that controls 55 per cent of L'Oréal's shares.

Nestlé, the Swiss food group, owns the remaining 49 per cent of Gesparal and has stated that it hopes to secure control of L'Oréal.

Technically, Nestlé will be free to do so from the end of this year, when its agreement with Mrs Bettencourt expires. However, Mrs Bettencourt has promised not to cede control during her lifetime.

L'Oréal saw consolidated sales rise by 12.3 per cent to FFr37.57bn last year from FFr33.44bn in 1991, with net operating profits rising by 19.8 per cent to FFr2.59bn from FFr2.16bn.

Earnings per share rose to FFr 39.50 from FFr34.70. The dividend increased to FFr9.60 from FFr8.40.

UK hotel group may face probe

By Robert Peston, Banking Editor

The London stock exchange's insider trading group is expected next week to pass to the Department of Trade and Industry the results of a preliminary investigation into possible insider trading of shares in Queens Moat Houses, the UK hotels group, an official disclosed yesterday. The DTI will decide whether to launch a formal investigation under Section 177 of the Financial Services Act. This could involve the appointment of a lawyer and accountant as inspectors.

French insurer dragged down by Baltica stake

By David Buchan

GROUPE VICTOIRE, the French insurer, yesterday announced an 88 per cent plunge in net profits to FFr214m ($39.6m) last year from FFr1.8bn in 1991. It was dragged down by its stake in Baltica, the troubled Danish insurance company.

Mr Gérard Worms, chairman of Victoire as well as of the Suez group to which the insurance company is linked, forecast that "the 1993 profit will be clearly above that of 1992, but not at the level of 1991".

Baltica, in which Victoire has a 23.7 per cent stake, has hit problems in its property and banking activities, and it accounted for about FFr1bn of the French insurer's loss. Victoire has cut its dividend to FFr 6.5 a share from FFr 19.5 the year before.

● The Banque Française du Commerce Extérieur, specialist in trade and investment credits, yesterday announced a rise in net profit to FFr137m for last year, compared to FFr115m in 1991.

Alcatel surpasses earnings forecast

By William Dawkins in Paris

ALCATEL Alsthom, the French telecommunications and engineering group, yesterday unveiled a 14 per cent rise in net profits for last year, slightly higher than the 12 per cent rise it had forecast.

Net earnings rose to FFr7bn ($1.3bn) last year from FFr6.2bn in 1991 and should be stable this year, in spite of the difficult economic climate, said Mr Pierre Suard, the chairman. Turnover rose fractionally to FFr161.7bn from FFr160bn.

He expected growth in the telecommunications market, the group's biggest business, accounting for nearly half of last year's sales. Europe would show slight progression, but much faster growth would come from Asia and Latin America, where the number of telephone lines should more than double over the next 10 years, said Mr Suard.

Last year's net profits increase was achieved on a small decline in operating profits to FFr14.8bn from FFr14.9bn, he said. It came in spite of a rise in restructuring costs, to FFr3.2bn from FFr2.7bn, and an increase in financial charges. Net debt nearly doubled to FFr20.5bn from FFr10.8bn due to the costs of buying out ITT's 30 per cent stake in Alcatel, the group's telecommunications division.

Operating profits in telecommunications rose slightly to FFr9.5bn, while the GEC Alsthom energy and transport division, owned jointly with Britain's GEC, saw a rise in operating earnings to FFr3.6bn from FFr3.1bn. The joint venture, formed in 1988, was starting to show synergies, said Mr Suard.

The cables division produced a slight rise in operating profits to FFr2.7bn as did Cegelec, in electrical engineering, where profits were FFr470m. Saft, the battery making division, produced a small operating rise to FFr120m.

Alcatel Alsthom is proposing a FFr21.75 annual dividend, up from FFr20.25 last year.

Earnings per share rose by 14 per cent to FFr53.2 in 1992.

● Cap Gemini Sogeti, Europe's largest provider of software services, yesterday said it would pay no dividend for 1992, the first time it has missed a pay-out. The group revealed a FFr72m loss last year, its first annual deficit, though less than the FFr80m loss it had earlier estimated for 1992.

BBL chooses insurance partner

By Andrew Hill in Brussels

BANQUE Bruxelles Lambert, the Belgian bank, yesterday deftly put an end to 18 months of speculation about several possible partners for its insurance activities. It has finally selected Royale Belge and Winterthur - the Belgian and Swiss insurers - as the company to help it develop insurance products.

The decision may call into question the involvement in BBL of Internationale Nederlanden Groep, the Dutch financial services company.

Internationale Nederlanden Groep spent most of last year examining a possible bid for the bank.

ING, which owns a 10 per cent stake in BBL, eventually decided that the price was too high to launch a takeover, but the Dutch group nevertheless still hoped to collaborate in the expanding field of "bancassurance".

Yesterday, BBL said that Royale Belge and Winterthur, both of which have stakes in the company, would be given prime responsibility for the reinsurance of risks taken on by BBL Life and BBL Insurance, the bank's insurance subsidiaries.

The association would help reduce risks and lighten solvency demands, said the bank.

ING was not available for comment. Three weeks ago, Belgian newspapers reported that Mr Aad Jacobs, ING's chairman, was on record as having said that he would consider it an "unfriendly" gesture if the Dutch company were to be excluded from bancassurance developments with BBL.

The framework agreement with Royale Belge, nearly 50 per cent of which is controlled by UAP, the French insurer, and Winterthur will last for at least five years. The agreement is also "linked to the stability of the bank's share register", BBL emphasised in a statement yesterday.

Royale Belge and Winterthur will also be given priority for the underwriting of other non-BBL insurance products, although BBL said that there would still be some room for collaboration with its other insurance company shareholders.

BBL, which is one of Belgium's three largest banks, last month announced that its net consolidated profits had dropped to BFr3.6bn in the 15 months to the end of 1992. That compares with BFr4.5bn in the 12 months to the end of September 1991.

Solvay sees another difficult year

By Andrew Hill

SOLVAY, the Belgian chemicals group, yesterday warned that its earnings would slump again this year as the European economy continues to deteriorate.

The group proposed holding its net dividend at BFr500 per share, the same as in 1990 and 1991.

Solvay said net consolidated profits fell 16.5 per cent in 1992, to BFr9.76bn ($293m) from BFr11.7bn in 1991. Stripping out extraordinary gains, profits fell to BFr8.41bn from BFr9.79bn, a drop of 14 per cent, as announced in January amid preliminary 1992 figures.

"The first half of this year should . . . prove to be particularly difficult," the company said.

Baron Daniel Janssen, Solvay's chairman, warned the group would have to cut further jobs in 1993, in addition to the 1,700 lost last year, mainly through early retirement.

Mr Janssen underlined that the group was continuing its investment programme to reinforce its fundamental strengths.

Competition in Europe took its toll on alkalis and plastics. Earnings before interest, taxes and charges slipped to BFr5.6bn from BFr6.13bn in alkalis, and to BFr90m from BFr1.7bn in plastics. Earnings from peroxygens rose to BFr3.06bn from BFr2.75bn, health products to BFr2.97bn from BFr2.24bn, while earnings in the processing sector slipped to BFr2.18bn from BFr2.29bn. Overall sales were steady at BFr254bn and net earnings slipped to BFr1,177 per share from BFr1,410.

Tractebel, the Belgian utilities group, pushed up net consolidated profits to BFr27bn from BFr25.7bn. The group has proposed a 3.1 per cent increase in net dividends to BFr330 (BFr320) per share.

Tractebel's principal subsidiary is Electrabel, Belgium's largest company by market capitalisation. Some 41 per cent of Tractebel is in turn owned by Société Générale de Belgique, which announces its 1992 results today.

Koç Holding improves 30%

By John Murray Brown in Ankara

KOÇ Holding, the listed holding company for Turkey's largest industrial conglomerate, reported a 30 per cent increase in pre-tax profits for 1992 to TL453bn ($48.5m).

The results disregard Turkey's 65 per cent average inflation during the period.

Koç Holding, 51 per cent controlled by the Koç family, has stakes in the Koç group's 74 industrial companies; many joint ventures with big foreign names.

Turnover increased 20 per cent to $11.2bn in 1992 ($9.4bn), with a fall in foreign exchange earnings to $523m from $550m.

INTERNATIONAL COMPANIES AND FINANCE

GM says sales in first quarter beat forecasts

By Nikki Tait in New York

GENERAL Motors, the largest US carmaker, said yesterday its first-quarter sales had been stronger than predicted, and it expected to post improved results for the period. It is due to report its earnings later this month, and analysts expect an operating profit of around $550m.

Mr Jack Smith, chief executive, noted the recession in Europe was proving much deeper than GM had forecast, and it was likely that GM's European operations would cut more salaried and hourly jobs through attrition.

"I think it's going to be a good quarter," Mr Smith told journalists at the New York motor show. In the first quarter of 1992, GM returned to a modest $179m profit after tax, its first quarterly surplus since the second quarter of 1990.

The group's performance during March, Mr Smith added, had been "really pleasing", and car market shares had been "well ahead of our most optimistic outlook". GM shares, which had risen this week on relatively good sales for March, gained another $⅜ to $39¼ before the close yesterday.

Mr Smith discussed several initiatives on the product development and manufacturing front. He held out the possibility that GM would construct a second production facility for Saturn small cars, and said it was working on plans for a new generation minivan that would probably be sold both in North America and Europe. He said the vehicle was expected to make its debut in the 1997 model year.

GM plans later this year to add a third shift at the existing plant in Spring Hill, Tennessee, to lift production to 300,000 cars a year. However, it believes that further additional capacity will be needed. Mr Smith gave no indication, however, of where a second plant might be located.

He added that GM was studying ways of expanding production of its European small car, the Corsa, currently built in Spain, to other countries within Europe and possibly North America.

Morgan Stanley cuts executives' bonuses

By Martin Dickson in New York

MORGAN Stanley, the New York investment bank, has cut the 1992 bonuses paid to its leading executives by between 30 per cent and 45 per cent, despite making record profits, according to its annual proxy statement to shareholders.

A company spokeswoman said that the bank's performance relative to the rest of the securities industry had not been as strong as previously, and this was one of several factors which went into the compensation equation.

Securities firms with retail operations had tended to perform better in 1992 than those with an institutional client bias, she added.

Mr Richard Fisher and Mr Robert Greenhill, respectively chairman and president of the group, each received compensation of $6.25m, down 20 per cent from $7.81m in 1991. Their bonuses were cut 41 per cent to $1.88m.

At Merrill Lynch, the largest US brokerage firm, Mr William Schreyer, chairman, saw his cash compensation rise 16 per cent to $5.2m, while Mr Donald Marron of PaineWebber received $7.7m, up more than 50 per cent.

● Mr Dick Cheney, defence secretary under President George Bush, is joining Morgan Stanley's board.

Struggle to maintain cutting edge

Andrew Baxter reports on problems in Germany's machine-tool industry

WHEN Traub and Maho, two of Germany's biggest machine tool companies, announced a global strategic alliance last year, rivals faced the prospect of an important new force operating in the recession-battered European market.

The deal took effect on January 1, and appeared sound. The marketing tie-up between Traub, a big producer of turning centres or lathes, and Maho, which makes milling machines, would help them both fend off Japanese competition.

"We had to increase our product range to offer a complete package," says Mr Paul Maynard, managing director of Traub UK and a member of the Traub management board.

Little more than two months later, however, the co-operation agreement has been dissolved. On the rebound, Traub has announced a new alliance with Hermle, a specialist German milling machine producer that depends on Germany for nearly 80 per cent of its sales.

The chain of events would be extraordinary for any industry. For German machine tool companies, always reticent to co-operate with each other and even more cautious about announcing anything, it is unprecedented and deeply embarrassing.

It underlines with particular force the problems of the German machine tool industry, which is by far the largest in Europe. As the British machine tool industry perceives better times ahead, domestic orders in Germany are running at about half the level of a year ago, producers say.

After years of growth which many German machine tool companies believed would continue unabated, the market – second biggest in the world after Japan – has dropped in about nine months as far as its UK counterpart did in two years. According to American Machinist figures, consumption of machine tools fell nearly 17 per cent last year to $5.03bn. Confidence among domestic customers has fallen dramatically, and the machine tool makers are saddled with high labour costs and gearing. Overseas, the east European market, where Germany dominated western imports, has virtually dried up.

The problem that has bedevilled the UK machine tool industry during the past two years of recession is now beginning to surface in Germany: withdrawal of financial support as banks lose their patience.

In March, Hahn und Kolb, the big Stuttgart-based machine tool sales and service company, was forced to apply for protection from its creditors because of liquidity bottlenecks caused by lower turnover.

To make things worse, German machine tool companies have found it much harder to cut jobs than have their UK counterparts. Traub began retrenching relatively early, but even so its workforce has been cut from about 3,000 in 1991 to about 2,000. Hermle has cut its staff by one-third to 500.

Traub, family-controlled but publicly-quoted, is relatively strong outside Germany, deriving 45 to 50 per cent of sales abroad, but its managing board chairman, Mr Hans-Dieter Pötsch, decided 18 months ago that it needed to be internationally stronger, to compete with Japanese rivals.

"We needed to attack the Pacific basin market, where the Japanese are selling machines for 10 to 20 per cent more than in Europe and the US," says Mr Maynard.

After talks with a number of companies, including Hermle and, it is believed, some foreign companies, Traub publicised its deal with Maho in December.

A merger was never likely because of Maho's financial condition; it lost DM159m in 1991-92. German banks took effective control of the company last year, and its former chairman and moving force, Mr Werner Babel, has seen his family's majority shareholding cut to a minority stake.

It appears that Maho was not meeting its financial targets, although details about the collapse of the deal have not been divulged.

A further loss of DM45m is expected this year and Maho told Traub that the need for more restructuring may harm the co-operation agreement.

Mr Maynard says Traub is sorry about the decision, but he is putting a on brave face. Some of Hermle's specialist machines are better than Maho's, he says, although they will require heavier marketing.

The new deal appears to make sense for both companies. Hermle, which went public in 1990, will benefit from Traub's international marketing muscle. Traub gets access to a new range of milling machines to add to its recent acquisitions in France and Italy.

As for Maho, rumours continue regarding a link-up with its rival Deckel. The companies are known to have been discussing co-operating in manufacturing, but recent speculation suggests they may be contemplating a full merger. German machine tool companies have traditionally considered that a step too far. But then they have never had to cope with conditions like today's.

Heineken gives profits warning

By Ronald van de Krol in Amsterdam

HEINEKEN, Europe's largest brewer, cautioned investors yesterday against excessive expectations for short-term profits, but said it remained confident about the outlook for long-term profitability.

The statement sparked a 3.1 per cent decline in Heineken's shares, which have hit a series of record highs recently to become one of the Amsterdam stock exchange's top performers over the past 12 months. They closed down Fl 16.10 at Fl 190.90 yesterday.

Mr Gerard van Schaik, chairman, said at the annual report presentation that the company's short-term caution reflected sluggish economic growth in Europe – where Heineken generates 75 per cent of sales – as well as higher duties on alcohol in a number of European countries, both of which could exert pressure on major beer markets.

Its second most important market, the US, appears to be developing favourably, though alcohol duties may also be set to rise.

"However, our company has strong brands and sufficient financial strength to see it through a period which may be less favourable economically," Mr van Schaik said.

"Our expectations for long-term profitability remain positive," he added.

Last month, Heineken reported a 12.9 per cent rise in 1992 net profit to Fl 463m. If extraordinary gains from a property sale are included, the improvement was even more marked, with net profit up 27.4 per cent at Fl 564m.

Mr van Schaik added that Heineken's volume sales rose by 2.3 per cent in 1992 to 53.7m hectolitres, a performance which he said none of its international competitors had been able to match.

Armco to build flat-rolled steel mini-mill in Ohio

ARMCO, the US steel group, is to build a flat-rolled steel mini-mill at its facility in Mansfield, Ohio, the first to be announced by a US integrated steelmaker, AP-DJ reports.

The plant would use the "thin-slab" casting method, used by mini-mill Nucor, that casts molten steel into two-inch slabs and then rolls it into sheet. Armco will invest about $100m in the caster. The company is also relocating its headquarters to Pittsburgh from Parsippany, New Jersey. Its corporate staff of 220 will be cut by between 65 and 70.

PWA appeals against court ruling

By Robert Gibbens in Montreal

PWA, parent of Canadian Airlines International, is appealing against last week's Ontario court decision refusing to declare the Gemini computerised reservations system insolvent. PWA had sought the insolvency ruling as part of its survival strategy.

American Airlines plans to make a C$246m (US$195m) equity infusion into Canadian, but insists that Canadian switch from Gemini to its own Sabre reservation system. Canadian and rival Air Canada, together with another small US airline, own Gemini.

The court found that PWA was trying to get out of the partnership in order to complete its deal with American.

PWA denied the insolvency suit was related to the American link-up, but would not reveal the basis for its appeal.

Mr Hollis Harris, chairman of Air Canada, said a merger with Canadian was still the best solution to the problems of the Canadian airline industry. It would create one large Canadian international airline capable of competing globally, he said.

If the Canadian-American airlines link were approved by Ottawa, he added, Air Canada would become "as weak as Canadian is today".

● SHL Systemhouse, a fast-growing international computer systems integrator formerly linked with BCE of Canada, will manage Canada Post's data processing and telecommunications operations in a contract worth more than C$500m. Last year, Systemhouse signed a $550m outsourcing contract with Mexico's finance ministry.

Since BCE sold its 21 per cent holding in January, Systemhouse has moved aggressively into international outsourcing. Its stock is widely held in North America and it is expanding its European operations.

Systemhouse is now profitable, and Mr John Oltman, president, forecasts annual revenues would reach C$3bn in several years, up from C$738m in the fiscal year ended August 31 1992. E. M. Warburg Pincus, the New York investment bank, invested C$40m in Systemhouse in a private placement in February.

● Power Financial, the financial services arm of Montreal financier Mr Paul Desmarais's Power Corp of Canada, reported a rise in 1992 net profits to C$184.9m, or C$2.90 a share, up from C$159.7m, or C$1.77, in 1991.

Contributions from subsidiaries were slightly lower because of a restructuring charge by Great-West Life.

The share of earnings of the European affiliate, Pargesa Holding, was C$34.3m, against C$22.7m last time. Pargesa is jointly controlled with Albert Frère of Belgium.

● Cambior, the gold and base metals producer, has raised C$84m of new equity by selling 6m units at C$14 per unit to an underwriting group led by RBC Dominion Securities. Each unit comprises one Cambior common share and one-half a share purchase warrant. One full warrant entitles the holder to buy one Cambior share at C$15.50 per share until June 30 1995.

New structure for FT-A World Indices

By Adrian Dicks

A NEW structure of industrial sector classifications for the FT-Actuaries World Indices has been published in draft form by the World Index Policy Committee, which supervises the rules and operation of the FT-AWI. An outline of the new structure appears below.

The new structure will classify companies into six new economic sectors – resources, utilities, manufacturing, consumer products, services and financial activities.

At the more detailed levels, industry sectors and sub-sectors have been reviewed, in some cases redefined, and fitted into this framework.

The committee, chaired by Mr Richard Pain, of the Institute of Actuaries, believes that the resulting new structure more accurately represents the pattern of international business.

The review leading up to the new structure is the first complete reappraisal of FT-AWI industrial classifications since the World Index was launched in March 1987. It forms part of the Policy Committee's responsibility for ensuring that the indices remain a relevant measure of performance for the international investment community.

Under new commercial agreements signed last month by the Financial Times, Goldman, Sachs and NatWest Securities, and the Institute of Actuaries and Faculty of Actuaries, the committee is being enlarged and its independence from the commercial parties has been enhanced by the adoption of a formal constitution.

Although the process of re-evaluating individual companies' classifications is not yet complete, the outline will allow investors to judge whether the new system would provide a better measure of evaluating their portfolio performance than the current classification structure.

Comments from users of the FT-AWI will be welcomed and should be addressed, together with other enquiries, to Symon Bradford at NatWest Securities, Edinburgh (031-243-4258), or to Mark Zurack or Barbara Mueller at Goldman, Sachs & Co., New York (212-902-6777).

● *Adrian Dicks is Manager, FT Statistics, and represents The Financial Times on the World Index Policy Committee.*

FT-AWI INDUSTRY STRUCTURE (1993 Draft Revision)

Economic Group	Industry Sector	Industry Sub-Sectors
1000 RESOURCES		
1100	Farming & Fishing	
	1110	Agriculture & Fishing
	1150	Forestry
1300	Mining, Metals & Minerals	
	1320	Mining & Extractive
	1350	Iron & Steel
	1370	Non-Ferrous Metals
1400	Precious Metals & Minerals	
	1460	Precious Metals & Minerals
1700	Oil & Gas	
	1720	Integrated Oil & Gas
	1740	Oil & Gas Producers
	1760	Petroleum Products, Refineries
1900	Other Energy	
	1990	Other Energy
3000 UTILITIES		
3200	Electric Utilities	
	3220	Electric Utilities
3400	Natural Gas & Oil Utilities	
	3440	Natural Gas & Oil Utilities
3600	Telephones	
	3660	Telephones
3800	Water	
	3880	Water
4000 MANUFACTURING		
4100	Aerospace	
	4110	Aerospace
4200	Chemicals	
	4230	Chemicals-General
	4260	Chemicals-Derivatives & Speciality
4300	Construction & Building Materials	
	4330	Building Materials
	4360	Housebuilding
	4390	Other Construction
4400	Electricals, Electronics Communications & Office Equip.	
	4420	Electronic Components
	4440	Computers and Office & Communications Equipment
	4460	Electrical Equipment
4500	Engineering & Machinery	
	4520	Metal Components
	4530	Engineering Contractors & Shipbldg
	4540	Industrial Vehicles
	4560	Vehicle Components
	4590	Other Machinery
4700	Paper, Packaging & Printing	
	4720	Packaging
	4750	Paper & Paper Products
	4770	Printing
4900	Diversified Industrial	
	4990	Diversified Industrial
5000 CONSUMER PRODUCTS		
5100	Automobiles	
	5110	Automobiles
5200	Beverage Industries & Tobacco Manufacturers	
	5210	Beverages - Brewers
	5230	Beverages - Distillers & Vintners
	5250	Beverages - Soft Drinks
	5280	Tobacco - Manufacturers
5300	Food and Grocery Products	
	5350	Food & Grocery Products
5400	Health and Personal Care	
	5420	Cosmetics & Soaps
	5440	Health Care
	5460	Pharmaceuticals
5500	Household & Leisure Equipment	
	5550	Household Equipment
	5580	Leisure Equipment
5700	Textiles & Clothing	
	5730	Textiles Products
	5770	Clothing & Footwear
5900	Diversified & Miscellaneous Consumer Products	
	5990	Diversified & Miscellaneous Consumer Products
7000 SERVICES		
7100	Business Services & Computer Software	
	7120	Professional Business Services
	7140	Computer Software & Services
	7180	Other Business Services
7400	Leisure & Entertainment	
	7440	Leisure and Entertainment
	7460	Restaurants & Hotels
7500	Media	
	7520	Advertising and Public Relations
	7540	Broadcasting Media
	7570	Publishing
7600	Retail Trade	
	7610	Retail - General
	7630	Retail - Drug Chains
	7650	Retail - Food Chains
	7670	Retail - Speciality
7700	Wholesale Trade	
	7750	Wholesale Trade
7800	Transportation and Storage	
	7820	Airlines & Airports
	7840	Rail & Roads
	7860	Shipping & Ports
	7880	Freight Forwarders, Storage & Warehousing
7900	Diversified & Misc Services	
	7990	Diversified & Misc Services
9000 FINANCIAL, INSURANCE & REAL ESTATE		
9100	Banks	
	9100	Banks
9300	Insurance	
	9320	Life Assurance
	9340	Non-Life Insurance
	9360	Re-Insurance
	9380	Other Insurance
9500	Real Estate	
	9570	Real Estate
9600	Other Financial	
	9620	Financial Institutions & Services
	9640	Insurance Agents & Brokers
9700	Investment Companies	
	9710	Investment Companies
	9750	Conglomerates

Fairfax buoyed by Kerry Packer bid speculation

By Kevin Brown in Sydney

SHARES IN John Fairfax, the Australian newspaper group controlled by Mr Conrad Black, rose 5 cents to A$1.97 yesterday as speculation mounted that Mr Kerry Packer is preparing a takeover offer.

The speculation followed the purchase of a 5 per cent stake in Fairfax by Ord Minnett, a Sydney stockbroker, for A$75.6m (US$54m). The buyer was not identified, but Ord Minnett has acted for Mr Packer in the past.

If the buyer is Mr Packer, the purchase would increase his stake in Fairfax to almost 10 per cent. Nine Network Australia, a television network controlled by Mr Packer, bought a 4.98 per cent stake last month for A$49.7m.

Consolidated Press Holdings (CPH), Mr Packer's privately-owned master company, refused to comment, but analysts said the purchase was almost certainly made by CPH or a subsidiary company.

The identity of the buyer must be revealed to the Australian Stock Exchange (ASX) today, unless the new owner of the shares is a private company. In that case, the buyer could remain unidentified until next week.

Mr Packer has said that he would like to control Fairfax, which publishes the Sydney Morning Herald, The (Melbourne) Age, the Australian Financial Review, and a chain of magazines and provincial newspapers.

He was a member of the Tourang consortium, which acquired the group from the receiver for A$1.4bn in 1991, but withdrew before the completion of the sale after regulatory authorities launched an inquiry.

The remaining partners in

Packer: Fairfax ambitions

Tourang were Hellman & Friedman, the US investment bank, and The Telegraph, the UK newspaper group controlled by Hollinger, Mr Black's Canadian master company.

Hellman & Friedman has a 5 per cent stake in Fairfax, and The Telegraph has 15 per cent and management control. The government will rule shortly on an application by The Telegraph to increase its stake to 25 per cent.

Under Australia's cross-media ownership law, Mr Packer will be limited to a 14.99 per cent shareholding in Fairfax unless he reduces his stake in Nine Network from 48 per cent to less than 15 per cent.

Mr Packer would have to convince the Australian Broadcasting Authority (ABA) that he could not exercise control of more than one leading media group with the assistance of associates or other shareholders.

Mr Black said he would regard an investment in Fairfax by Mr Packer as a vote of confidence.

WMC tries to leave the worst of bad weeks behind it

Bernard Simon and Kevin Brown report on how a judge's ruling in Nova Scotia has affected the company

THE THIRD week of December 1987 is one which Western Mining (WMC), the Australian resources group, would prefer to forget.

Mr Hugh Morgan, managing director, had a punishing schedule during that week as he pursued several acquisitions aimed at giving WMC a secure foothold in the North American mining industry.

None of the assets that WMC bought in its $450m shopping expedition has turned into a producing mine. A judge in Nova Scotia has severely criticised the "callous disregard" with which WMC handled one of the takeovers.

Mr Justice Merlin Nunn ordered WMC to pay damages and costs, expected to exceed C$10m (US$7.7m), to the president and six former directors of Seabright Resources, one of the targets of the 1987 acquisition spree. WMC will appeal.

Seabright was an ambitious Nova Scotia exploration company, boasting in mid-1987 that it was becoming "one of Canada's greatest gold producers". It aimed to have four mines in operation by 1989.

A promising area appeared to be a deposit known as Beaver Dam. Studies pointed to large reserves and a high grade. But in the months leading up to WMC's takeover offer in December 1987, doubts began to surface.

News of these doubts reached WMC after the C$92m deal to buy Seabright was completed in February 1988. Within three weeks, a WMC official was describing Beaver Dam as "just bloody hopeless". A year later, WMC halted Seabright's operations and wrote off its investment.

WMC sued Seabright's president, Mr Terence Coughlan, for fraud, negligence and insider trading. It levelled similar allegations against the other directors. However, Mr Coughlan and his colleagues countersued the Australian company with allegations ranging from abuse of process, to a malicious conspiracy to deprive them of indemnity insurance coverage.

Upholding the directors' claims, the Nova Scotia court ruled in essence that WMC failed to do adequate homework on Seabright in its eagerness to cloak its intentions and to shut out competitive bids.

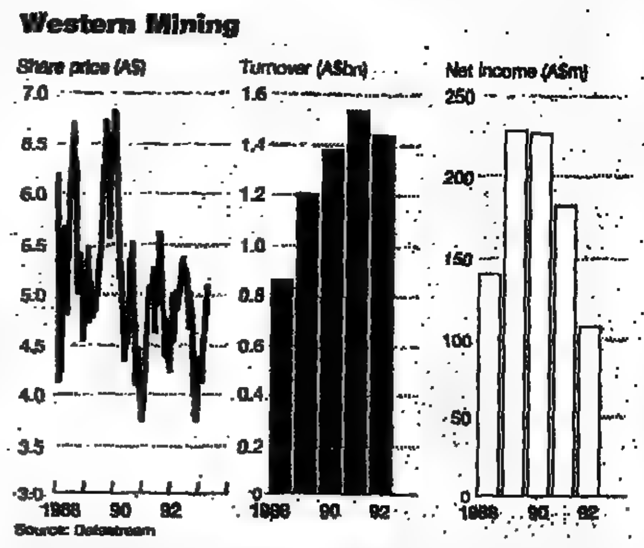
According to the judge, the WMC team "cannot deny there was public information to alert them that there were problems, as they were aware of sampling problems, they were aware that Beaver Dam had suffered a setback and that Seabright, through Coughlan, was over-promotional and lacking the technical skills necessary".

He said there was no evidence to suggest any intention among the Seabright directors to commit fraud. They gave the impression of being reluctant sellers.

The judge was scathing about WMC's conduct after it discovered it had made a disappointing investment. He said the Australian company acted "with callous disregard of the rights of [Mr Coughlan and the other Seabright directors] and a determination to cause them injury".

Although Mr Coughlan and a Seabright vice-president remained on the payroll for some time after the takeover, WMC never asked about nor confronted them with any of the information offered as evidence during the trial.

The judge also criticised



WMC for serving its original claim on the directors one day after the expiry of their indemnity insurance, without providing advance warning to the insurer. "The intention to sue was known, the existence of the policy was known, and copies of the policy were in hand," he said.

Noting that "the predominant purpose of [WMC's] litigation was to injure [Mr Coughlan and his colleagues]," the judge said that they "have been grievously injured in their reputation at large in the business community and in their personal lives." Hence his decision to award substantial damages.

The judgment raises wider questions about the secrecy and single-mindedness with which such deals are pursued.

The judge dismissed much of Mr Morgan's evidence as unreliable, but noted that his lapses were perhaps understandable in view of his hectic travel schedule that week and his failure to keep notes.

The money involved is relatively small, but the judgment is a blow to WMC, not least because it draws attention to a period described by Mr Morgan as one in which the group's "toe was stubbed".

When it embarked on its North American spending spree, WMC had cash reserves of A$370m (US$264.3m), backed by A$840m from a successful rights issue. The gold market was rising and the global stock markets' collapse in October 1987 left the group well-placed to pick up bargains for cash.

The collapse of its North American strategy was a blow to WMC. It has begun to flex its muscles again, notably through the US$240m purchase from BP of the 49 per cent of the Olympic Dam copper/uranium/gold/silver mine it did not own.

The group's share price has risen since the Canadian judgment, suggesting the Seabright debacle is regarded by investors as old news. Mr Morgan will be hoping it stays that way.

Greek private bank to set up unit in Romania

By Karin Hope in Athens

CREDIT Bank, Greece's largest private bank, is setting up a bank in Romania in which the European Bank for Reconstruction and Development (EBRD) will take an equity stake.

The new bank, to be called Bank of Bucharest, will have start-up capital of $10m. It will be the first foreign-owned bank to open in the country since the overthrow of the Communist government in 1989.

The EBRD is to contribute $2.5m in equity, with the remainder being covered by a holding company controlled by Credit Bank, in which several Greek businessmen will have minority holdings. The new bank will be managed by Alpha Finance, the merchant banking arm of Credit Bank. It is expected to start operating by the end of 1993.

Mr Panagis Vourloumis, managing director of Alpha Finance, said the bank would look for opportunities offered by Romania's privatisation programme as well as financing trade carried out by a growing number of Greek-Romanian joint ventures.

Court orders Deloitte to pay AWA damages

THE New South Wales Supreme Court yesterday ordered Deloitte Touche Tohmatsu, the international accounting and auditing firm, to pay AWA, the Australian defence and telecommunications group, nearly A$24m (US$16.9m) in damages and interest, AP-DJ reports from Sydney.

The court previously ruled that Deloitte, formerly AWA's auditor, was liable for 72 per cent of foreign-exchange trading losses by the electronics company in 1986 and 1987. The court decided yesterday on the amount owed. AWA may also be due costs.

Deloitte did not accept there was evidence for AWA's assertion that directors would have changed their policy in relation to hedging against foreign-exchange exposures.

CRA bid for Cail given boost

By Kevin Brown

THE A$716m (US$487m) bid for Coal and Allied Industries (Cail) by CRA, the Australian resources group, appeared certain to succeed yesterday after Cail's independent directors said some shareholders should accept the offer.

CRA was given a further lift when Mr Tony Haraldson, Cail chief executive, and Mr Michael Blackham, deputy chief executive, said they would sell part of their personal shareholdings.

"If I thought there was a chance that CRA would not get control, I would not be accepting for my shares," Mr Haraldson said. "I have a significant financial exposure that I would like to reduce somewhat."

Cail's independent directors said medium to long-term investors should reject the A$11.50 a share offer because it was not high enough. However, they advised shareholders with "short-term liquidity requirements" to accept.

Grant Samuel and Associates, Australia's premier valuation company, valued Cail shares at between A$12.49 and A$14.61 a share and described the bid as reasonable in a report included with the Cail directors' statement.

Cail issued revised profit forecasts for the next three years, which it hoped would persuade institutional shareholders to keep all or part of their holdings. The company forecast net profit of A$55.45m in 1992-93, well above market forecasts of A$45m to A$50m. It said net profit would rise to A$75.15m in 1993-94 and A$83.95m in the following year.

He said the company had completed a capital expenditure programme, and forecast that improved productivity would help it benefit from any increase in coal prices.

The offer is CRA's second attempt to gain control of Cail, which is the biggest coal mining group in New South Wales. CRA owns 40 per cent of Cail following a A$8.50 a share offer in 1991.

● Directors of McIlwraith McEacharn, the Australian coal and transport group, yesterday gave unanimous support to a A$1.95-a-share takeover offer from Cyprus Minerals of the US, which values the group at A$82.3m.

The directors said they had asked the Australian Securities Commission to allow shareholders who accept the offer to retain the interim dividend of 1.25 cents a share.

McIlwraith said it required "significant financial support" to develop its main asset, a 40 per cent holding in Oakbridge, a NSW coal producer.

Rate-cut expectations provide the spur for European rally

By Sara Webb in London and Patrick Harverson in New York

EUROPEAN government bond markets rallied on rumours that several European central banks may announce a co-ordinated round of interest rate cuts shortly.

German government bonds gained a quarter point on the day, despite initial disappointment over the Bundesbank's repo result.

The Bundesbank cut the minimum interest rate on two-

GOVERNMENT BONDS

week securities repurchase funds from 8.17 per cent to 8.13 per cent, with a net drain of funds from the system. Dealers said bunds fell back on the news as the market was disappointed by the small size of the Bundesbank's cut.

The Liffe bund future contract, which opened at 95.90, fell back to 95.71 but then rallied to reach a high of 96.15 as investors bought across the range of maturities.

Dealers said buying was sparked mainly by rumours that there may be a concerted round of interest rates cuts at the weekend in Europe.

The futures contract ended at around 96.10.

■ FRENCH government bonds staged a strong rally on expectations of a cut of at least 100 basis points in the repo rate today.

The Matif futures contract jumped from a low of 117.60 to reach a high of 118.00, before ending at around 117.98. The yield on the 10-year bond ended at 7.16 per cent, against its previous close of 7.21 per cent.

Dealers said there were also rumours of switching out of French equities into bonds. They noted particularly strong buying of French bonds by US investors.

■ UK GOVERNMENT bonds took their cue from the other European bond markets yesterday, gaining up to ¼ point at the long end.

Dealers noted strong demand for longer-dated issues, particularly in the 20-year area.

The rally enabled the Bank of England to sell two of the four tap stocks which were announced on Friday.

The £250m tranche of 7¼ per cent stock due 1998 and the £200m tranche of 9¾ per cent stock due 2002 were exhausted yesterday. Short-dated gilts gained about ⅛ point, with the 7¼ per cent gilt due 1998 rising $\frac{3}{32}$ to 102¼.

■ FIRMNESS in the German government bond market and hopes of lower European interest rates helped to lift Italian government bonds yesterday. The market has been rocked in recent days by political scandals and traders pointed out that Italian bonds had been "oversold" as a result.

The Liffe BTP future broke through the 94.00 level, to end at 94.32. In the cash market, the March 2003 BTP ended at 92.13, up from Tuesday's close of 91.85.

■ ELSEWHERE in Europe, the Spanish government bond market continued to fall on political worries and lost about ⅛ point initially. However, bond prices were pulled up later by the rally in German bonds to end unchanged on the day.

■ AFTER early gains, US Treasury prices were mostly flat yesterday morning, as investors and dealers traded cautiously ahead of today and tomorrow's all-important inflation data.

By midday, the benchmark 30-year government bond was up $\frac{1}{32}$ at 102$\frac{1}{32}$, yielding 6.959 per cent. At the short end of the market, the two-year note was slightly weaker, down $\frac{1}{32}$ at 99⅞, to yield 3.924 per cent.

The main feature of early trading was a report published by economists at Goldman Sachs, the Wall Street securities house, which predicted that the Treasury department would cut the 30-year bond from its May refunding altogether, and from then on switch to twice-yearly bond sales. The changes in the borrowing schedule would be implemented as an attempt to cut the cost of financing the huge federal budget deficit.

The Goldman report provided an early lift to bond prices. But because it was not based on contacts with Treasury officials, the market quickly gave up most of its gains. Consequently, attention soon returned to the upcoming inflation numbers.

Recently, fears that inflationary pressures are building up in the economy have taken the wind out of the bond market's sales, so dealers and investors will be closely watching today's producer prices index and tomorrow's consumer price index – both for March – for any evidence of creeping inflation.

■ THE No 145 Japanese government bond fell back sharply yesterday on speculation that it may soon lose its benchmark status.

Dealers said there were rumours that the ministry of finance had suggested changing the benchmark bond more frequently. There was speculation in the market that the No 153 could take over as the benchmark issue.

The No 145, which matures in March 2002, underperformed the market as the yield moved from 4.325 per cent at the opening and traded in a range of 4.32 to 4.445 per cent, before closing in Tokyo at 4.42 per cent.

The bond recovered some of its losses in London trading, reaching a yield of 4.375 per cent.

One trader said the rumours were unlikely to be true as the No 153, which matures in December 2002, is less liquid than the current benchmark and consists of two separate tranches.

The sharp fall in the No 145 JGB added to the weak sentiment in the market, traders said.

The futures contract opened at 107.76 and moved in a range of 107.60-107.91 before ending at 107.80.

FT FIXED INTEREST INDICES

	April 7	April 6	April 5	April 2	April 1	Year ago	High *	Low *
Govt Secs (UK)	97.20	96.92	96.84	97.10	96.86	85.61	98.04	93.28
Fixed Interest	112.88	112.78	112.83	112.73	112.67	99.11	113.83	108.67

Basis 100: Government Securities 15/10/26; Fixed Interest 1928
* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 113.83 (8/3/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	April 6	April 5	April 2	April 1	Mar 31
Gilt Edged Bargains	102.5	93.5	102.6	125.5	141.7
5-Day average	113.1	117.5	122.3	125.6	125.8

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	115.6239	-0.801	7.66	7.78	7.91
BELGIUM		9.000	03/03	110.9750	+0.425	7.41	7.42	7.24
CANADA *		7.250	06/03	97.7500	+0.350	7.57	7.48	7.31
DENMARK		8.000	05/03	100.6500	[illegible]	7.90	7.97	8.06
FRANCE	BTAN	8.000	05/98	104.5010	-0.127	6.91	6.99	7.15
	OAT	8.500	04/03	109.4900	+0.420	7.14	7.21	7.26
GERMANY		[illegible]	12/02	103.5940	+0.269	6.60	6.66	6.50
ITALY		11.500	03/03	92.1650	-0.280	13.34†	13.21	12.76
JAPAN	No 119	4.800	06/99	103.3773	-0.298	4.12	4.22	3.71
	No 145	5.500	03/02	[illegible]	[illegible]	4.37	4.59	3.91
NETHERLANDS		[illegible]	02/03	102.6800	+0.450	6.61	6.66	6.46
SPAIN		10.300	06/02	92.3005	[illegible]	11.69	[illegible]	11.29
UK GILTS		7.250	03/98	102-08	+6/32	6.71	6.70	6.53
		8.000	06/03	102-08	+8/32	7.68	7.71	7.52
		9.000	10/08	[illegible]	+17/32	[illegible]	8.20	8.06
US TREASURY *		6.250	02/03	100-25	-5/32	6.14	5.99	5.80
		7.125	02/23	102-11	-	6.94	6.89	6.69
ECU (French Govt)		8.000	04/03	103.1500	+0.580	7.54	7.80	7.44

London closing, *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Advance at Bear Stearns shows Wall Street bullish

By Patrick Harverson

BEAR Stearns yesterday provided the first evidence that Wall Street's earnings spree continues unabated when the publicly-owned securities house reported record third-quarter profits of $110.42m.

The firm's profits, which cover the three months to the end of March, were 21 per cent higher than the $91.34m in the same quarter of 1992, and were made on revenues of $570.64m, up from $532.32m a year earlier.

Bear Stearns said its strong earnings reflected significant increases in revenues across most main lines of business.

The investment banking unit put in the best performance, with revenues jumping 32 per cent in the quarter to $87.9m, as the firm rode the boom in demand from US and foreign corporations for stock and bond underwriting services. In the first three months of the year, Bear Stearns was the eighth biggest underwriter of debt and equity on Wall Street, handling 56 issues worth a total of $11.7bn.

Revenues from principal transactions were also up in the third quarter, to a record $320.3m, 3.5 per cent higher than a year earlier. The firm said its trading of fixed-income and over-the-counter securities was especially busy in the first three months of the year.

Commission revenues came in at $112.7m, up almost 8 per cent on 1992, due to increased demand for the firm's correspondent clearing operations.

Bear Stearns' bottom line was helped by a modest 3.7 per cent increase in non-interest expenses to $387.2m. In comparison, the firm's revenues rose 7.2 per cent in the quarter. The largest component of costs, employee compensation and benefits, rose 5.4 per cent to $276m.

The figures were well received on Wall Street, where buyers bid Bear Stearns' shares up $¼ to $18¼ on the New York Stock Exchange.

Innovative £200m Barclays Bank issue attracts investor interest

By Tracy Corrigan

BARCLAYS Bank's £200m issue of 9⅞ per cent subordinated undated bonds provided a focus of attention yesterday, as dealers and investors examined the latest innovative capital structure created by a UK financial institution.

The deal, priced to yield 140 basis points over the 9 per cent

INTERNATIONAL BONDS

gilt due 2008, is callable after 15 years; if the call option is not exercised, interest is reset at the higher of either the current coupon or a margin of 240 basis points above the five-year gilt yield. The issue, arranged by Barclays de Zoete Wedd, was mainly placed with UK institutions.

In effect, the structure means that the investor is selling the issuer an option to extend the debt, but many investors may view the deal as 15-year paper, on the assumption that Barclays will exercise the call option. But it is hard to predict the shape of the undated debt market, or even Barclays credit, in 15 years.

Meanwhile, for the first 15 years, Barclays is paying substantially less than it would have to pay for undated debt. For example, permanent interest bearing shares (Pibs) issued by many building societies mostly yield about 250 basis points over the long gilt.

According to investment bankers' estimates, Barclays would probably have to pay about 95 basis points over 15-year gilts for 15-year subordinated debt. This means investors are effectively valuing the call option they have sold to the issuer at 45 basis points.

For this, Barclays is gaining upper tier 2, rather than lower tier 2 capital, which suits its balance sheet needs. At the same time, the bank does not have to lock into an interest rate forever, as in preference share or Pibs issues, which count as tier 1 capital under international guidelines.

Despite the attractions of the structure, UK banks have recently been active issuers of subordinated debt, and may not need to raise further capital in the immediate future.

The deal met firm demand from UK institutions and could well flow through to retail accounts. The coupon of 9⅞ per cent for a familiar name appeared attractive in the current low interest rate environment and UK institutions, such as insurance companies, lack higher-yielding longer-dated paper.

Pibs have proved a surprising hit with UK retail investors keen to improve their returns now that deposit rates have fallen, and the Barclays deal could also catch on, with a minimum denomination of £1,000 designed to allow retail investors to participate.

Also in the sterling sector, Leeds Permanent Building Society launched a £100m five-year deal, priced to yield 75 basis points over the 7¼ per cent gilt due 1998.

Unlike many recent five-year deals, the maturity date of the bond issue and the gilt over which it is priced falls in the first half of 1998. Many recent five-year issues were structured with maturity dates at the end of 1998, taking advantage of the shape of the yield curve to make yield spreads appear more generous.

Elsewhere, Citibank launched an unusual issue of collared floating rate notes, through a special purpose vehicle, backed by Federal National Mortgage Association debentures. Bayerische Landesbank added $50m to its collared FRN launched earlier this week. Collared floating-rate notes incorporate minimum and maximum coupon levels, known as floors and caps, and provide investors with an up-front premium to current short-term interest rates.

In the Samurai bond market, the Republic of Finland launched a Y150bn issue of 10-year bonds via Nomura Securities. Finland has now completed about two-thirds of its FM80bn funding programme for 1993, which is to be split between the domestic and international bond market.

The Samurai market – the Japanese bond market for foreign borrowers – offered cheaper funding than the Euroyen market, particularly for an issue of this size, even though fees are higher than in the Eurobond market.

The deal was the second largest launched in the Samurai bond market, following a Y200bn issue by Sweden last year.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Aquarius Plus(Cayman)(a)‡	100	(a)	100	Dec.2000	0.375/-	Citibank International
Bayerische Landesbank(b)‡	50	(b)	99.75	May.2003	0.5/0.25	UBS
YEN						
Toray Industries(c)‡	10bn	(c)	100	Jul.1997	0.25/0.15	Sakura Finance Intl.
STERLING						
Barclays Bank(d)	200	9.875	100.856	(d)	0.75/0.375	Barclays de Zoete Wedd
Leeds Permanent BS	100	7.375	100.686	May.1998	1.875/1.56	Samuel Montagu & Co.
SWISS FRANCS						
Eurovlas★	100	6.25	101.5	May.2000	-	Credit Suisse

Final terms and non-callable unless stated. ★Private placement. ‡Floating rate note. a) Coupon pays 6-month Libor - 0.25%; minimum 5%, maximum 7.5%. b) Issue launched on Monday was increased to $150m. Coupon pays 6-month Libor - 0.25%; minimum 5%, maximum 8%. c) Coupon pays 4% in first 3 years and 6-month Libor - 0.125 in the final year. Puttable on 29/7/96 at par. d) Perpetual subordinated issue. Callable at par on 12/5/2008, then every 5 years. If not called, coupon will be reset at the higher of the then current coupon or the prevailing 5-year benchmark gilt + 240bp.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 5:55 pm on April 7

U.S. DOLLAR STRAIGHTS; OTHER STRAIGHTS; FLOATING RATE NOTES; DEUTSCHE MARK STRAIGHTS; SWISS FRANC STRAIGHTS; CONVERTIBLE BONDS; YEN STRAIGHTS

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	60	3	24
Other Fixed Interest	3	0	12
Commercial, Industrial	209	370	825
Financial & Property	118	160	518
Oil & Gas	16	21	47
Plantations	1	1	6
Mines	15	48	73
Others	50	38	35
Totals	462	641	1,540

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

b Figures based on prospectus estimates. H Dividend and yield based on prospectus or other official estimates for 1993. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1993-94. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Issued by way of rights. † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. ♥ Units comprising 1 ord. and 1 zero pref. share.

TRADITIONAL OPTIONS

- First Dealings April 5
- Last Dealings April 16
- Last Declarations July 15
- For settlement July 26

3-month call rate indications are shown in Saturday editions.

Calls in: BM Group, Enterprise Comp., Evered Bardon, Fairhaven, Hammerson Ord., Kewill Systems, Maddox, Premier Cons., Spring Ram, Surrey Group and Walker Greenbank. Put in: Harrison Group. Puts & Calls: BM Group, Fairhaven and Spring Ram.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

[illegible]

April 7 Total Contracts 39,857
Calls 20,968 Puts 18,889
FT-SE Index Calls 5,326 Puts 5,935
Euro FT-SE Calls 3,814 Puts 5,310
*Underlying security price. † Long dated expiry months
Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

	PRICE INDICES	Wed Apr 7	Day's change %	Tue Apr 6	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (24)	129.24	+0.06	[illegible]	2.22	2.62
2	5-15 years (22)	149.44	+0.25	149.07	[illegible]	3.96
3	Over 15 years (8)	159.66	[illegible]	158.71	[illegible]	3.10
4	Irredeemables (6)	183.49	+0.38	182.80	3.67	1.48
5	All stocks (60)	145.58	+0.24	[illegible]	1.97	3.36
	Index-Linked					
6	Up to 5 years (2)	184.07		184.06	0.51	1.51
7	Over 5 years (12)	175.12	+0.01	175.10	0.81	[illegible]
8	All stocks (14)	[illegible]	+0.01	[illegible]	0.77	1.35
9	Debs & Loans (67)	129.61	+0.48	[illegible]	2.20	3.08

	AVERAGE GROSS REDEMPTION YIELDS		Wed Apr 7	Tue Apr 6	Year ago (approx.)
	British Government				
1	Low	5 years	6.71	6.72	9.22
2	Coupons	15 years	[illegible]	7.76	9.60
3	(0%-7¾%)	20 years	[illegible]	8.01	9.60
4	Medium	5 years	6.96	6.98	10.11
5	Coupons	15 years	8.15	8.21	[illegible]
6	(8%-10¾%)	20 years	8.30	8.36	9.65
7	High	5 years	7.17	[illegible]	10.34
8	Coupons	15 years	8.40	8.45	[illegible]
9	(11%-)	20 years	8.47	8.52	9.76
10	Irredeemables (Flat Yield)		8.35	8.38	9.80
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs	2.24	2.24	3.84
12	Inflation rate 5%	Over 5 yrs	3.41	3.41	4.57
13	Inflation rate 10%	Up to 5 yrs	1.38	[illegible]	3.17
14	Inflation rate 10%	Over 5 yrs	3.23	3.23	4.40
15	Debs &	5 years	8.59	8.61	11.46
16	Loans	15 years	9.25	9.31	11.17
17		25 years	[illegible]	9.50	10.97

Speyhawk £90m in red after write-downs

By Vanessa Houlder, Property Correspondent

SPEYHAWK, the technically insolvent property developer which has been in talks with its banks since August 1991, yesterday announced a pre-tax loss of £89.8m for the year to September 30 1992.

The deficit, which followed a £216.8m loss in the previous year, mainly resulted from further write-downs of £67.3m against investment and development properties.

"There has been little improvement in market conditions. Property values have continued to fall, particularly in the City of London," said Mr Trevor Osborne, chairman.

Mr Osborne said he expected the refinancing of the group's £360m of debt to be completed in a couple of months. Speyhawk "has entered into a financial documentation phase of its debt restructuring which it is hoped will be concluded soon," he said.

Speyhawk's liabilities now exceed its assets by about £160m. The group's 46 banks, led by Barclays and Citibank, reached agreement in principle on Christmas Eve for the restructuring, which involves the subordination of debt.

Nearly half of the provisions were related to Speyhawk's City projects, notably its scheme at Cannon Bridge. Last year, more than half the company's provisions of £204.9m resulted from Cannon Bridge and Exchequer Court, another City building.

Interest charges increased from £16.3m to £22.7m, partly as a result of provisions for interest charges on project loans.

Speyhawk said the basis of the business plan that underpinned the debt restructuring proposals was "to achieve lettings and sales of completed developments and investment properties in a phased and orderly manner."

Turnover fell from £76.4m to £69.7m.

Losses per share were 352.1p (829.7p). No dividend will be paid or should be expected "for the foreseeable future."

The company's shares closed 4p down at 8p.

Sketchley shares fall on trading warning

By Angus Foster

SKETCHLEY, the cleaning and textile rental company, yesterday said trading conditions for its dry cleaning division deteriorated during the second half of its financial year.

Previous market estimates for profits to the end of March, which had already been downgraded, were still too high, the company said. The shares fell 14p to 96p on the warning.

Mr Tony Bloom, who joined as deputy chairman in 1991 after Sketchley came close to collapse after a period of rapid expansion, said dry cleaning sales had been poor but the company was still operating at a profit.

"The high street has not turned round in a significant fashion," he said.

Full year profits are expected to fall from £6m to about £4.5m. The company is expected to maintain its final dividend.

Sketchley also announced it is paying £4.3m plus £2m goodwill for Supasnaps, the film processing chain owned by Dixons. In addition, Sketchley will repay intergroup indebtedness estimated at £1.7m. The chain operates from about 350 outlets, all of which are leased. It has about 8 per cent of the processing market, compared to market leader Boots with 23 per cent.

Sketchley plans to install new Supasnaps outlets in its dry cleaning outlets as a way to boost revenues. This would also allow Supasnaps to expand cheaply.

Supasnaps is expected to make operating profits of about £700,000 in the year to April 30 from £45m turnover. The company has net assets of about £2.3m. Mr Bloom said he expected the acquisition to contribute to Sketchley profits from this year.

Sketchley was due to release preliminary results for the year to end-March in mid-May. Because of the acquisition, the company will probably release a profits estimate with its circular to shareholders on the Supasnaps deal, expected in the next couple of weeks.

Hewden Stuart falls to £12m

By Andrew Bolger

HEWDEN STUART, the UK's biggest independent plant hire company, yesterday sounded cautiously optimistic about recent signs of recovery following a 20 per cent fall in profits, but said it was too soon to say whether these would be sustained.

Sir Matthew Goodwin, chairman, said there had been an increase in demand in late February and March from a broad spread of industry, though there was little sign as yet of price recovery, and directors were more relaxed about the short-term outlook than they were a few months ago.

The Glasgow-based group reported a drop in pre-tax profits from £15.1m to £12m in the year to January 31. Sales were down from £171m to £165m.

Sir Matthew said: "These results must be considered extremely satisfactory, having been achieved in the depths of the recession and covering, as they do, the winter months which saw the failure of two of Britain's largest contractors, Budge and Lilley, and other bankruptcies."

The tower crane division incurred a loss of £923,000, compared with a profit of £1.85m.

Sir Matthew said that after stripping out the tower crane figures, the remainder of the group almost maintained profits at £13m (£13.2m) in an extremely difficult period.

The hire divisions virtually held profits at £12.26m (£12.53m) in spite of a drop in sales from £112m to £108m, excluding cranes.

Sir Matthew said the division met fierce competition on price, and on many occasions deliberately sacrificed turnover in the face of pricing policies by others which appeared solely dictated by the need to generate cash in the short term.

"JCBs were being hired out, with a driver, for £10 an hour – you couldn't get a plumber with his bag to fix your washing machine for that sort price."

Strong cashflow meant that the group increased net cash from £7m to £13m, in spite of capital expenditure of £23m.

Earnings per share fell from 5.35p to 4.4p. A final dividend of 2.365p (2.285p) makes a total for the year of 3.24p (3.15p).

COMMENT

These were excellent results from a company which continues to shine in an otherwise grim sector. Having shrunk its tower crane fleet from a boom-time peak of 180 to 60, the group is confident that they should now operate at break-even this year and might even make some money. The group is bringing forward capital expenditure and its tax rate should benefit from capital allowances. Forecast profits of £14m put the shares – up ½p at 104½p – on a prospective multiple of about 20. That is high, but the group is operationally highly geared and will not hesitate to use its strong cash position to expand when recovery comes through. Looking at cashflow and longer-term prospects for earnings, it still looks a quality recovery play.

Sherwood Computer ahead 23%

SHERWOOD Computer yesterday announced pre-tax profits up 23 per cent from £2.45m to £3m for 1992, writes Catherine Milton.

Turnover fell to £20.9m (£21.7m) mainly because of the transformation in 1991 of a former subsidiary into a joint venture, Guardian, with ICL. Sherwood gained £285,000 income from its stake in Guardian.

An increased final dividend of 5.25p brings the total for the year to 7p (6p), payable from earnings per share of 34.1p (24.7p).

The results were prepared using FRS 3 guidelines.

Operating costs fell to £19.4m (£20.1m). The company made a £1.2m charge for the BS5750 quality certificate – mainly comprised of employees' time and external consultants.

It also incurred a £500,000 charge through switching the company pension scheme from a final salary scheme to a group money purchase scheme. Mr Richard Guy, chairman, said the new scheme was more suitable for the young, mobile staff employed by the company.

Tough conditions in Europe hit Brammer

By Roland Rudd

BRAMMER, the ball bearing distributor and electrical services group, blamed depressed business conditions throughout Europe for a 10 per cent fall in pre-tax profits for the year to December 31.

Profits declined from £9.16m to £8.23m on increased sales of £122.6m (£111.5m).

Mr Robert Ffoulkes-Jones, chief executive, said: "While economic activity has got slightly better in the UK the recession is deepening in continental Europe."

The group is predicting another tough year. Mr Ffoulkes-Jones warned against expectations of a significant UK recovery. "We have seen false dawns before," he said.

Approximately 80 per cent of revenue is generated in the UK. The group is planning to expand on the Continent.

The BSL distribution division reported a small fall in profits before exceptional items from £7.95m to £7.88m.

However, the rental business suffered another big fall from £1.4m to £832,000.

Redundancy costs were responsible for an exceptional charge of £452,000 (£382,000).

Last year's acquisition of Roulement Service accounted for sales of £7.1m and an operating profit of £233,000.

Earnings per share fell to 13.4p (14.7p).

An unchanged final dividend of 8.5p makes a maintained total of 13p.

COMMENT

After its fourth consecutive year of declining profits Brammer has to convince the market that it has a strategy for growth. The omens do not look good. The rental business has been reporting a fall in profits ever since it was acquired in 1985. A large part of that is due to the loss in defence work. BSL continues to perform well, if not spectacularly. The decision to acquire the French Roulement Service fits nicely into the group's strategy of becoming a pan-European distributor of industrial products. But given the worsening recession in continental Europe the timing is open to question. With forecast pre-tax profits of £9m, giving earnings of 15p, the shares are on on a prospective multiple of 17.5. It is difficult to see how the premium to the market can be justified.

Sherwood Group pays £19.6m for bra maker

By Daniel Green

SHERWOOD GROUP, the Nottingham-based lace, lingerie and socks maker, is extending its acquisition programme to continental Europe with the L47.4bn (£19.6m) purchase of an Italian bra manufacturer.

The deal will be funded by a £10.7m placing and open offer of shares for cash.

At the same time, the company revealed pre-tax profits on continuing operations for 1992 of £18.2m, an increase of 25 per cent on 1991's £14.6m. The figures are on the FRS 3 basis.

Earnings per share were 11.7p (11p) and a final dividend of 1.7p raises the total by 14 per cent to 2.6p. Turnover improved 22 per cent to £141m.

The acquisition is of 75 per cent of Lepel, a family-run business that stands third in the Italian bra market.

The payment will be in two stages: the first L25bn (£10.3m) will be paid on completion of the deal with the cash raised from the placing and open offer, and the remainder will be paid a year later from cash flow.

"Garments will then account for more than 50 per cent of sales, making a better balance between lace and garments," said Mr David Parker, chairman.

The deal will lift net debt from £25m at the end of 1992 to £30m at the end of the current year, said Mr Peter Newbold, finance director. He said, however, that gearing would remain at about 45 per cent.

COMMENT

At eight times the exit p/e which enhances earnings from year one, Lepel looks like a bargain. But the Italian market is tricky. Firstly, there is the extent of the black economy and how much personal contacts are used to make deals. Sherwood has done its best to minimise the risk by leaving the Leporati family with a 25 per cent stake tying them into a five year contract. Secondly, there is a structural change taking place in European clothes retailing. The independent sector, Lepel's strength, is giving way to the chain store, where larger companies excel. Sherwood and Lepel may be able to offset this by venturing into export markets, but investors may want to wait until they see the tie-up working. If it does, profits should climb above £23m this year and make the shares, on a p/e of 11.5, look cheap. Shareholders should take up their allocation of the open offer.

Ingham makes cash call and £4.5m acquisition

INGHAM, the worsted spinner, yesterday said it was proceeding with the acquisition of Moss Europe and raising £3.64m through a 1-for-4 rights issue of up to 4.04m new shares at 100p.

Moss, which supplies parts for British classic sports cars, is being bought for £4.5m, satisfied by the issue of 3.4m shares and payment of £1.5m cash. It made £544,000 pre-tax on £13.6m turnover in 1992. Net assets were £2.66m.

In addition, Ingham has entered into certain arrangements and contracts with the vendors, Milard – the principal shareholder – Howard Goldman and Glen Adams, which include the sale of the enlarged group's US business to Milard in exchange for Milard convertible loan stock.

Ingham is paying a second interim dividend of 4.5p in respect of the 15 months to end-March and declared its intention to pay total dividends of not less than 4.7p for the year to March 31 1994.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Blockleys	fin	0.5	July 1	1.43	1	3.36
Brammer	fin	8.5	July 1	8.5	13	13
Dagenham Motors	fin	4	May 28	4	5.75	5.75
Dewhirst Gp	fin	0.68	July 1	0.43	1	0.72
Hewden Stuart	fin	2.365	July 14	2.285	3.24	3.15
Higgs & Hill	fin	1.5	June 11	3	2.5	9
Hunting	fin	6	July 1	6	10	10
Ingham	int	4.5☆	July 9	-	6	2.64
Martin Intl	fin	2.7	July 1	2.7	4.4†	4.4
Mid-States	fin	nil	-	2.25	0.75	3
Mowlem (John)	fin	2	July 9	4.85	4	10.5
Murdin & Peacock	fin	4.16	July 6	3.6	6.12	5.56
Savoy Hotel	fin	7	May 24	7	7	7
Severfield-Reeve §	fin	nil	-	nil	nil	1
Sherwood Comput	fin	5.25†	June 11	4.5	7	6
Sherwood Gp	fin	1.7	May 27	1.5*	2.6	2.28*
Stylo	fin	3	Oct 1	2.5	3	2.5
Wardle Storeys	int	5	July 1	4	-	16
Wilson Connolly	fin	2.66†	July 1	2.66	3.93	3.93

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ☆ Second interim.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price by Trading on [illegible]: Pool purchase price £/MWh	Final Prices by Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.04	18.45	18.45
0100	18.02	23.41	26.09
0130	18.12	28.45	31.30
0200	26.76	28.45	31.27
0230	34.48	23.41	26.01
0300	34.48	23.41	26.01
0330	25.76	23.41	26.02
0400	23.81	18.40	[illegible]
0430	18.14	18.11	18.11
0500	18.12	18.11	18.11
0530	18.14	[illegible]	18.08
0600	18.14	18.09	18.09
0630	18.14	18.04	18.04
0700	25.66	22.07	24.69
0730	[illegible]	22.86	25.32
0800	25.27	22.59	25.21
0830	26.05	23.17	26.50
0900	29.30	24.74	27.44
0930	29.30	30.76	33.70
1000	29.30	30.76	33.71
1030	26.05	30.77	33.70
1100	26.05	24.74	27.45
1130	26.05	24.74	27.43
1200	26.05	24.74	27.45
1230	26.05	24.73	27.42
1300	26.05	24.16	26.86
1330	26.01	23.16	25.80
1400	26.01	23.15	25.80
1430	25.16	22.66	25.31
1500	25.16	22.66	25.31
1530	25.16	22.66	25.30
1600	25.16	22.69	25.30
1630	24.56	23.17	25.79
1700	24.56	24.29	26.83
1730	24.56	25.75	28.44
1800	24.56	25.90	[illegible]
1830	24.59	26.52	29.39
1900	23.66	32.37	35.26
1930	18.16	32.32	35.20
2000	18.18	32.13	34.97
2030	23.66	25.76	28.39
2100	27.90	25.11	27.75
2130	27.90	22.69	25.25
2200	24.24	22.56	25.17
2230	23.96	22.56	25.10
2300	23.96	16.30	16.30
2330	18.51	17.76	17.76
2400	18.06	17.76	17.76

... approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid for purchases of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-466789 between 8:30am and 5:15pm Monday to Friday.

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PUBLIC WORKS LOAN BOARD RATES

Effective April 6

Years	Quota loans* EIP†	Ann††	At maturity§
1			5⅝
Over 1 up to 2	6	6	5⅞
Over 2 up to 3	6¼	6¼	6¼
Over 3 up to 4	6½	6½	7⅛
Over 4 up to 5	6¾	6¾	7⅜
Over 5 up to 6	6⅞	6⅞	7⅝
Over 6 up to 7	7	7⅛	8
Over 7 up to 8	7⅛	7¼	8¼
Over 8 up to 9	7¼	7½	8½
Over 9 up to 10	7½	7⅝	8¾
Over 10 up to 15	8¼	8⅜	9¼
Over 15 up to 25	9⅛	9⅜	9½
Over 25	9½	9½	9⅝

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. ††Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

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Mowlem losses grow to £27m

By Jane Fuller

JOHN Mowlem, the contractor, is strengthening its balance sheet with the £52m sale of its HSS tool hire business, which it announced yesterday alongside deepening pre-tax losses.

The pre-tax deficit grew from £4.3m to £27.2m last year after £4.8m losses at London City Airport and a further £20.2m of reorganisation costs and write-offs. The final dividend is cut from 4.85p to 2p, leaving a total of 4p (10.5p). Losses per share were 20.7p (9.4p).

Sir Philip Beck, chairman, said the HSS disposal, to Davis Service Group, cut year-end net debt from £69.1m to about £17m and gearing to 9 per cent. Since then there had been a seasonal increase in borrowings of about £24m.

The sale price was about 57 per cent of the group's market value at yesterday's opening price of 85p. It gained 3p to close at 88p.

Sir Philip Beck: HSS disposal cut net debt to about £17m

Turnover fell to £1.25bn (£1.37bn) and operating profit to £3.6m (£19.3m). This partly *reflected the tightening* squeeze on contracting, but also a sharp fall in profits from scaffolding hire. Housebuilding slipped into losses and the airport registered a deficit after using up provisions.

In contracting, the group had no large loss-makers. It concentrated on smaller regional contracts. The division's £904m (£1.05bn) turnover was expected to hold steady this year. Profit after interest income declined to £17.9m (£26.5m).

The SGB scaffolding business saw profits fall to £5m (£11.4m). This division bore the brunt of the £9.3m reorganisation charges.

Housebuilding lost £1.4m and the land bank was further written down at an exceptional cost of £5.2m. About £23m was brought in from property development sales.

COMMENT

Mowlem's sale of HSS met a mixed reception. On the one hand, it gives balance sheet strength that would be the envy of Costain or Taylor Woodrow and underpins the ability to maintain the dividend. On the other hand, it has got rid of its highest margin business and one that should come out of recession earliest. Sir Philip's talk of selling a cash absorbing business smacks of battening down the hatches on the core contracting arm, which points to the long haul back to decent margins in that industry. Mowlem does, however, deserve credit for avoiding black-hole contracts and looks one of the better bets in that sector – long term, of course. Meanwhile scaffolding's recovery is the main hope. The risks involved at London airport are reflected in the failure so far to find a partner. A small loss is expected this year before a goodwill hit resulting from the HSS sale. Patient investors will hold the stock for the 5.7 per cent yield.

Lelliott in talks with bankers on future

JOHN LELLIOTT, one of Britain's biggest privately-owned construction companies, was yesterday locked in talks with its bankers. A statement on its future is expected today, writes Andrew Taylor.

The company ran into trouble following the failure of the £110m Point West development of flats, offices, a health club and shops in the shell of the former British Airways terminal in Cromwell Road, west London.

Lelliott, which was working on the project, is thought to have lost approaching £10m as a result of the development being put into receivership at the end of 1991.

Land & Property Trust the property company developing Point West went into liquidation shortly afterwards.

Lelliott has still not published its results for the 12 months to end-June 1992. In the previous year it made pre-tax profits of just £700,000 on turnover of £153m. In 1989-90 it made profits of £5.8m on sales of £240m.

It was ranked as Britain's 38th largest construction company by turnover – and Europe's 144th largest – in a survey conducted last year by Building Magazine.

Stone Group, the stone restoration subsidiary of Lelliott, was placed into administrative receivership in February. It was subsequently acquired by the Peter Cox Group.

Lelliott also recently reached an out-of-court settlement with Forte, the hotel group, following a dispute over the £10.8m refurbishment of the Waldorf Hotel, London.

Mr John Lelliott, chairman, is a director of Wimbledon football club.

Higgs & Hill cuts final as loss is reduced to £11.6m

By Andrew Taylor, Construction Correspondent

HIGGS & Hill, the UK construction and property group, yesterday halved its final dividend after incurring a pre-tax loss for the second year running.

The loss for 1992 of £11.6m, however, was an improvement on the previous year's £16.7m.

Mr John Theakston, chief executive, said there would have been a profit of £340,000 but for provisions of £12m against commercial and residential property operations. This followed a £20.9m provision in 1991 when trading profits were £4.22m.

Turnover fell from £345.2m to £293.2m.

The final dividend is cut to 1.5p, making a total of 2.5p (9p). It is proposed to transfer £22.5m from reserves following a £23.7m transfer in 1991.

Mr Theakston said the year finished with net cash of £4.1m compared with net borrowings of £16.8m at the end of 1991.

The construction division, which saw sales slip 19 per cent from £309.4m to £250.8m, incurred a £2.22m trading loss (£2.61m profit).

Housing trading profits increased from £295,000 to £2.52m helped by higher sales – 262 units were sold against 235 – and better margins following previous write-downs.

Despite the sale of a substantial office development west of Paris, commercial property made a trading profit of just £35,000 compared with £1.31m.

Mr George Duncan, chairman, said: "We are hopeful that 1993 will mark the turning point in the group's fortunes. There are now indications that the housing market may be improving."

COMMENT

It is quite clear what value Mr Tony Pidgley, Berkeley Group's managing director, saw when he recently bought and sold 300,000 shares in Higgs & Hill, making a nifty profit in the process. The strength of the company is its balance sheet; to have net cash at this stage of the cycle is admirable. The trading outlook, however, remains difficult. Contracting margins are likely to remain under pressure even though it is working hard to win better quality business. *The housing operation* will get some benefit from recovery but is relatively small. The company should break even or make a small profit this year. The share price of 58p understates the written down value of 156p. Buy for net asset value rather *than for short-term earnings* improvement.

Acquisition helps Dewhirst reach £6.46m

By Daniel Green

DEWHIRST Group, one of Marks and Spencer's main clothing suppliers, reported improved margins in the year to January 15 1993 which pushed pre-tax profits up from £4.13m to £6.46m.

Turnover was up from £130.5m to £181.6m but was swollen by the inclusion for the first full year of a women's wear acquisition.

Mr Tim Dewhirst, chairman, said Marks and Spencer last year took more than 80 per cent of output. He added that the company "had a long way to go on margins."

Earnings rose to 3.52p (2.71p). The final dividend is 0.68p for a total of 1p (0.72p).

Davis Service pays £52m for Mowlem tool hire business

By Jane Fuller

DAVIS SERVICE Group is buying the HSS tool hire business from John Mowlem for £52m to expand its core busi*ness after departing from car* hire.

Davis is raising £34.7m in a vendor placing and raising the other £17.3m as debt. The 16.9m new shares will expand Davis's equity by 20 per cent and existing shareholders can apply on a 1-for-5 basis.

The issue is priced at 205p, compared with yesterday's opening price of 228p. It gained 2p to close at 230p.

The HSS group made £4.76m operating profit last year on turnover of £59.9m. About £38m of net assets are being acquired.

Mr John Ivey, Davis's chief executive, said the 170 HSS shops, serving the small builder and DIY market, had provided sufficient profit to off*set a small loss* in the other part of the acquisition, PB Plant Hire, aimed at construction companies and utilities.

In 1990 the business had made £7.14m profit and it was PB that had declined since then.

The acquisition would fit *into the site services division*, which mainly supplies mobile buildings and last year contributed £3.42m to operating profits of £19.4m from continuing activities.

Davis is also involved in providing laundry services, workwear and linen hire, and cleaning. Mr Ivey said 75 per cent of the business was rental based.

Last year the group substantially reduced its debt after *selling the Godfrey Davis* car hire business. In December it had net borrowings of £10.1m, giving gearing of 11 per cent.

After the acquisition and share issue pro forma net debt rose to about £28m for gearing of 25 per cent.

Mr Ivey said the group had *also arranged a new* £30m revolving loan facility, repayable between 1996 and 1998, "to give us headroom" for further modest expansion.

The placing is organised by Baring Brothers and Kleinwort Benson.

Wilson (Connolly) falls 38%

By Andrew Taylor

THE SHARE price of Wilson (Connolly) rose 3p to 163p yesterday, despite the announcement of a 38 per cent fall in pre-tax profit by the UK housebuilder and property developer and contractor.

The decline in profits from £27.1m to £16.8m for 1992 was struck after increased provisions of £5.49m (£2.02m). A final dividend of 2.66p maintains the total at 3.93p. Earn*ings fell from 10.2p to 6.1p.*

Mr Ian Black, managing director, said the dividend was 1.5 times covered by post-tax profits. "This was no mean feat in the longest and deepest recession in living memory."

Trading profits, before write-downs, fell 23 per cent to £22.3m (£29.1m) despite a record 2,880 homes being sold.

Housing profits tumbled 29 per cent to £18.3m (£25.7m). Profit margins fell to 12 per cent reflecting price reductions of about 8 per cent.

The company, like other housebuilders, had seen sales increase during the past few months. At the year-end the company had 13,300 building plots at an average price of just £12,600 each.

Gearing of only 1 per cent meant the company was well placed to take advantage of an upturn in the market. Construction fell from £3.03m to £1.09m, on static sales of £36m. Commercial property surged from £380,000 to £2.9m.

COMMENT

Wilson (Connolly), Wilson Bowden and Bryant have produced the best results in the current housebuilding reporting season. They share long land banks supported by strong balance sheets and appear to have chosen the right time to expand output, with net reservations of housebuilders rising by between a fifth and a quarter during the first three months of this year compared with 1992. These virtues, however, have already been recognised in the companies' share performance and it is difficult to justify a buy recommendation on a prospective p/e, in Wilson Connolly's case, of 18 to 19 on prospective profits this year of £22m-£24m.

Savoy Hotel shows £1.4m loss

By Michael Skapinker, Leisure Industries Correspondent

SAVOY HOTEL incurred a pre-tax loss of £1.43m in 1992, compared with a profit of £2.27m last time.

Turnover of the group, whose hotels include the Savoy, Claridge's, the Berkeley and the Connaught, fell from £79.2m to £76.8m.

With low interest rates and inflation, and an exchange rate which is attractive to US visitors, "there is a reasonable chance that 1993 will be a better year than 1992," said Mr Giles Shepard, managing director.

The dividend is held at 7p per A share and 3.5p per B share, because of the more optimistic economic outlook and the cover of previous years.

Losses were 1.3p per A share (earnings 17.5p) and 0.6p per B share (earnings 8.8p).

Mr Shepard said £9.6m had *been spent on capital projects* last year, with improvements at the Savoy and Claridge's.

Government backs global market in BT share sale

By Roland Rudd

THE GOVERNMENT has abolished regional syndicates in its forthcoming sale of BT shares in favour of one global market, with managers com*peting to sign up the biggest* institutional shareholders.

SG Warburg, global co-ordinator, yesterday confirmed that for the first time in any UK privatisation, 11 global managers will compete with each other to get the top 500 institutions around the world to put *in bids for BT shares.*

The government is expected to sell most, if not all, of its 22 per cent BT stake – worth more than £5bn. The sale may take place as early as July.

In the last BT sale, the institutional offer was split between 10 syndicates throughout the world in which the lead managers had exclusive rights, apart from the global co-ordinator, to market the shares.

This time round Warburg will be responsible for running the book building exercise in every region of the world.

The ten other global manag*ers are Barclays de Zoete* Wedd, Cazenove, Daiwa Securities, Deutsche Bank, Merrill Lynch, Morgan Stanley, NatWest Securities, Paribas Capital Markets, NM Rothschild and UBS Limited.

Mr Maurice Thompson, a director of Warburg Securities, *said: "We hope this will* unleash competition within protected markets." The global managers "will keep their ears and eyes open" for any institutions which try to push the BT share price down by deliberately selling short before the sale. Warburgs reserved the right to "*penalise such action*".

See Lex

Stylo losses down to £746,000

STYLO, the footwear group, yesterday announced a sharp reduction in pre-tax losses from £9.06m to £746,000 for the year to January 30.

The improvement was achieved following the closure of the heavily loss-making US *operations.*

Pre-tax profits from continuing businesses were £674,000 against a deficit of £7.4m.

Sales rose 15 per cent to £105.5m, while the operating loss of £4.2m in 1992 was transformed to a profit of £3.5m.

Mr Arnold Ziff, chairman, said the profits improvement had been achieved in spite of even more difficult conditions for the shoe trade. The outlook for the UK retail division was encouraging, with turnover continuing to increase.

Prospects for the wholesale sports division, selling golf and equestrian footwear and clothing, were also better, he said.

Losses per share was substantially reduced from 42p to 4.01p. The dividend on limited voting and management shares is lifted to 3p (2.5p).

Pelican seeks £7.4m to fund purchase

By Catherine Milton

THE PELICAN Group is paying Mr Robert Earl, who made his fortune creating the Hard Rock Cafe chain, £8m for four UK restaurants. The purchase will be funded by a £7.4m placing and open offer.

The Mamma Amalfi restaurants and Rock Island Diner had warranted pre-tax profits of £800,000 in the year ended March 31 against £767,000 a year earlier.

Pelican will pay the vendor, Worldwide Leisure Holdings, controlled by a trust which benefits Mr Earl's family, £3m in Pelican shares and £3m in cash.

The open offer to shareholders is on a 7-for-10 basis at 50p per share. After £400,000 of expenses, Pelican will retain £4m cash from the *fund raising*. The shares closed yesterday up 8p at 58p.

At the same time Mr Richard Myers, Pelican chairman, is placing 800,000 shares, at 50p apiece, to repay a personal bank loan.

Pelican will also receive £75,000 a year for three years from licence agreements.

Campaign to save Clark launched

By Peggy Hollinger

THE CAMPAIGN against the sale of C&J Clark, the family-owned shoe manufacturer and retailer, was officially launched yesterday with a letter to 300 shareholders urging them to resist the board's proposals.

Shareholders Opposed to Enforced Sale (Shoe), run by five members of the Clark family, *wrote to holders of more* than 10,000 shares not to sell shares at a price reflecting "the problems of the past rather than the future potential."

The letter points to Clark's recently announced fall in debt and a net asset value of 278p *per share. "This does not* include the value of the brand," the letter states.

Berisford, which is expected to make its formal offer soon, is believed to be offering about 205p.

The letter said: "Even those who might favour a sale should recognise this is a particularly inopportune time to sell . . . and this is likely to *be reflected* in the terms offered."

Recession and Sunday trading hit 1992 sales

Nurdin moving into US style shopping clubs

By Peggy Hollinger

NURDIN & PEACOCK, the *cash and carry wholesaler, yes*terday ended months of specu*lation as it announced plans to* introduce US-style shopping clubs in the UK.

The company, which also announced a 9 per cent increase in annual pre-tax profits to £30.2m (£27.6m), plans to open its first club warehouse next spring, at a total cost of *about £10m-£12m. A second site* is planned for later in the year.

Club warehouses are a popular retailing strategy in the US, where customers pay a fee to become members and are entitled to discount shopping on items such as food, clothes and electrical goods. Since 1986 *total club sales are estimated* to have grown from $7.3bn to *$34.7bn (£24.4bn) last year,* with more than 21m people holding membership cards.

Nurdin plans a similar format to that in the US. Mr David Poole, managing director, said the group aimed to open two clubs a year. It could link up with a joint venture *partner to accelerate that pro*gramme but no party had yet been approached.

Mr Poole said it was unlikely that Nurdin would link up *with Makro, the cash and carry* business of Dutch company SHV, which holds 14 per cent of the UK company. "Any linkage with SHV would severely damage our reputation with our retailing customers in the UK," he said. However, some sort of sourcing agreement for *the clubs was not ruled out.*

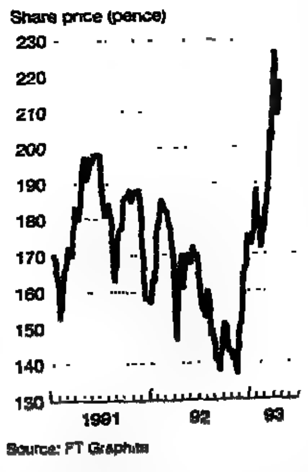
The new strategy comes as *the group reported a 4 per cent* decline in like-for-like sales for the 53 weeks to *January 1 1993.* Overall, however, there was a 5.5 per cent increase in turnover to £1.44bn. This included contributions from three new branches, for a total of 46. The period compares with 52 weeks *to December 31 1992*; the three extra trading days added 1 per cent to sales.

Mr Nigel Poole, finance director, said the decline in comparable sales stemmed from the impact of recession and Sunday trading on independent retailers – which *account* for more than 50 per cent of the group's turnover. *However, an improvement in* operating margins from 1.7 per cent to 1.9 per cent helped *boost profits at* the trading level by 14 per cent to £27.3m. *Mr Poole said he expected mar*gins to improve further in the current year.

The final dividend is 4.16p for a total of 6.12p (5.56p). Earnings per share, helped by a lower tax charge, rose from *15p to 17p.*

See Lex

Nurdin & Peacock



Source: FT Graphite

Hunting jumps to £29m and calls for £37m

By Richard Gourlay

HUNTING, the aviation, defence and oil services company, yesterday launched a £36.8m rights issue to reduce debt and provide working capital for its newly won contract *to manage the government's* Atomic Weapons Establishment.

Shareholders are being offered two new shares for nine held at 185p, a 17.2 per cent discount to the theoretical ex-rights price prevailing on Tuesday night.

Hunting's share price closed down 8p yesterday at 230p.

The Hunting family, which currently controls just under 40 per cent of the *shares, will* not be taking up its rights – which are being placed at 19p nil-paid.

In addition, the family also yesterday sold 1.55m shares to reduce debts of the family con*trolled investment* company. As a result the family's interest will fall to just below 30 per cent of the enlarged capital, ending effective Hunting control and increasing the previously restricted liquidity in the *shares.*

Hunting announced the rights issue *on the back of pre*tax profits for 1992 ahead from £15.4m to £29.2m on an FRS 3 basis. Sales rose 8 per cent to £809.8m.

Operating profits were £34.6m (£32.5m) after a £1.1m *loss on the businesses sold to* Williams Holdings in February. Hunting will, however, book a £6m exceptional profit this year on this sale.

Gearing at the year end was 78 per cent. However, without the rights issue, Aldermaston would have pushed gearing above 100 per cent. Gearing will still be about 50 per cent *after the rights* issue.

At the operational level, aviation profits dipped to £10.5m (£11.1m), partly because of problems with avionics. Defence fell to £9.3m (£10.5m) but Hunting believes that even without the AWE contract, this division's decline has been arrested. *Profits in the oil* division increased to £15.9m (£11.3m) as Canada *continued* to perform well.

Earnings came through at 17.5p (6.8p) per share diluted, and a final dividend of 6p is *proposed for an* unchanged 10p total.

● COMMENT

With yesterday's rights issue, Hunting has strengthened its weakest flank – the balance sheet – and done it to support growth, not rationalisation. *Coming on top of the sale of its* consumer products side to Williams, the Aldermaston contract, and signs of real growth in the oil division, Hunting appears to have put together a varied collection of businesses *that could prove significantly* more interesting than its current rating would suggest. On normalised pre-tax profits of £34m this year, and earnings of 17.8p, the rating is a modest 13 times. However, the Aldermas*ton contract is of such a signif*icant size, with sales probably *about £250m, that investors* may want to wait to see that it fulfils the promise that has so excited Hunting's board.

Blockleys tumbles to £352,000

BLOCKLEYS, the Shropshire-based brick and pavior manufacturer, suffered a further downturn in 1992 as *recession continued to take its* toll on the construction industry.

On turnover down by £1m to £9.3m, pre-tax profits were £352,000, against £1.06m.

Mr Brian Taylor, chairman and managing director, said the UK brick industry saw both production and sales fall by *some 6 per cent, while stocks of bricks rose to a new peak of* 1.54bn at the year end.

There is still no real indication of any recov*ery in the construction industry*, he said, and the forecast for sales of bricks in 1993 was only 2.5 per cent above the 1992 level.

Staff numbers have been cut by 45, leading to an exceptional charge of £85,000.

A final dividend of 0.5p (1.43p) makes a total of 1p (3.38p). The dividend is uncovered by earn*ings per share of 0.73p (2.48p).*

NEWS DIGEST

Dagenham Motors 30% lower

DAGENHAM Motors Group, the London and south-east main Ford dealer, finished 1992 with a pre-tax profit of £1.48m, a reduction of 30 per cent on the previous £2.11m.

In November, the group warned that second half profits were likely to fall short of market expectations; in the event they came to £357,000.

The final dividend is held at 4p for an unchanged total of 5.75p, from earnings per share of 5.6p (8.1p).

Mr David Philip, chairman, said it was again a difficult year, particularly the last quar*ter when most manufacturers* were discounting heavily.

However, improvements in working practices, acquisition of new outlets and weakening of competition enabled the group to lift turnover 23 per *cent to £155.9m.*

New car sales increased 30 per cent to 7,723 units and used car sales by 22 per cent to 6,290.

Mr Philip said profits in the first quarter of the current *year were ahead with all nine* dealerships profitable. Trading at Brownings Electric and Dagenham Motors Security had been satisfactory.

Black & Edgington

Black & Edgington, the *USM*-quoted group which provides portable buildings, tents and other structures for sporting occasions and exhibitions, reported a pre-tax profit of £704,000 for the six months to January 31 against a loss of £1.96m.

The *profit is after accounting* for the operating profit of Tubular Barriers *to the date of* disposal, the gain realised on that disposal and interest costs, which included a full six month charge in respect of the fixed interest loan notes whereas only one month was *charged in the same period last* year.

Turnover on continuing activities totalled £3.42m (£1.74m). Earnings per share emerged at 0.14p (0.4p losses) basic and 0.1p (0.39p losses) *fully diluted.*

Martin Intl

Martin International Holdings, the clothing group and supplier to Marks and Spencer for*merly known as Albert Martin*, saw profits edge ahead from £2.38m to £2.45m pre-tax over 1992 despite recession affecting its main markets.

Turnover improved to £83.4m (£80m), but profits at the oper*ating level* dipped to £3.93m (£4.06m).

Mr Michael Kidd, chairman, said that following rationalisation the UK showed some improvement *in the second* half, but that margins were lower in overseas activities.

"It is difficult at this time to see any immediate recovery from the trading conditions which applied in 1992," he said.

Net borrowings at the year-end amounted to £8.7m, repre*senting gearing of about 40 per* cent (42 per cent).

The cost of withdrawal from certain activities amounted to £1.18m, taken as an extraordinary charge, and included £900,000 relating to the closure of the Queensbridge factory.

A proposed final of 2.7p holds the total at 4.4p, covered 1.9 *times by earnings of 8.4p (9.5p)* per share.

Severfield-Reeve

Severfield-Reeve, the USM-quoted steel group, plans to raise about £1.55m through a 1-for-2 rights issue at 32p.

The issue, of 5.22m new ordinary, has been fully underwritten by Beeson Gregory. The proceeds will be used to reduce borrowings and expand the capital base.

The cash call accompanied a *£987,000 pre-tax loss for 1992 on* turnover of £15.6m. Last time there were profits of £530,000 on turnover of £16.9m.

Losses per share amounted to 6.06p (4.18p earnings) and there is no dividend for the *year (1p). Directors expect to* resume payments at a modest level in the current year.

OIS Intl

OIS International Inspection, *the non-destructive testing spe*cialist which came to the market via a placing in December, produced pre-tax profits of £1.74m for 1992, an increase of 10 per cent *over prospectus* estimates.

Turnover was £46.8m. Earnings per share amounted to 5.9p against a forecast 5.5p but as indicated there is no final dividend.

Lucas Inds

Lucas Industries received a total consideration of £40m at current exchange rates for the recent sale of its Fluid Power Systems business to Sophus Berendsen.

LFPS has assets of £29m and in its last full year made an operating profit of £900,000.

Completion of the transfer of ownership of the Canadian *operations, which represents* £7m of the total, is subject to final approval by Canadian authorities.

Lucas will use the proceeds to reduce borrowings.

AAH

AAH Holdings, the distribution group, has acquired Baylis Holdings for an initial £4.25m, of which £2.88m has been satisfied by the issue to the vendors *of 544,667 shares, with the bal*ance in cash. A further cash sum, not exceeding £2.2m is profit-related.

Baylis is a specialist in *"shared user"* and *contract dis*tribution services with custom*ers in the food and consumable* household products sectors.

Mid-States

Against a depressed market background, Mid-States, the *wholesaler* and distributor of motor parts in the US, raised pre-tax profits by 13 per cent from £3.73m to £4.21m in 1992. Turnover edged ahead from *£48.9m to £50.1m.*

As already announced, the company *has* appointed Bear Stearnsto investigate ways of maximising shareholder value. The review, however, is still in progress.

The company said that in view of the wide ranging nature of the strategic alternatives being considered, it believed it inappropriate to declare a final dividend and so the interim of 0.75p compares with the previous *year's* total of 3p.

A special interim, however, will be declared when the outcome of the strategic review is known.

Earnings *per share* rose by *1p to 7.3p.*

De La Rue

De La Rue, the banknote printer and cash-handling machine manufacturer, has *acquired the coin sorting and* counting business of Case ICC from Expamet International for £1.1m.

FBD

*With the Irish insurance activi*ties remaining the mainstay of the business, FBD Holdings lifted pre-tax profits 23 per cent in 1992, from I£9.33m to I£11.5m.

The final dividend is 2.5p for a *total of 4.5p, a rise of 25* per cent over the previous 3.6p. Earnings per share were 17.47p (18.02p).

Insurance pre-tax profits *came to I£8.8m (I£9.2m),* after writing off I£800,000 realised losses on stocks and shares. Market share was increased and the customer base broadened. Underwriting losses were cut by I£300,000 to I£3.2m.

A significant improvement came from property, leisure, IFSC and other activities.

Net profit was I£2.7m, against I£100,000 which included a *write-down of* I£1.1m in property values. Most *of the increase stemmed* from better sales of properties in Spain and Ireland.

The balance sheet had to take a I£4.2m reduction in quoted *investments* and exchange translation. The *decline* has *largely* been reversed since the year-end.

RECRUITMENT

JOBS: Psychologist's research shows uncanny links between career choice and people's longevity

A mysterious matter of life and death

IF you work as a financial manager in Britain – and a lot of readers evidently do – the Jobs column has good news for you. Your chances of living beyond retirement age are high. They are much better than mine as a journalist although, whereas when you go it will most likely be from cancer, in my case the odds are on some external cause such as accidental or deliberate violence, including suicide.

My reason for mentioning the point is not gloom occasioned by last week's admission that I'm now within 10 months of retiring from the FT. The stimulus was provided by a fascinating talk at the British Psychological Society's conference the other day by Ben Fletcher of the University of Hertfordshire.

In his research into health and employment he has delved deeply into statistics on mortality, and come up with some strange if not uncanny ways in which people's work and their stays on earth are connected. To illustrate, let's return to comparing those of you who are financial managers with me as a journalist.

Now of course, being in the better-off tiers of society which typically survive longer than the worse-off, both you and I have a happier outlook than the average for the British population. For instance, if the overall average chance of dying while officially still of working age is taken as 100, my prospect of meeting that sad fate rates at only 87. Yours, however, is a mere 43 – provided you're a male too, that is.

Should you also be like me in being married, the statistical record has two messages for our wives. The first is that, although they can both expect to reach a greater age than we do, yours will be apt to outlive mine to much the same degree as you outlast me. Message two is that each of them has a far greater than pure chance probability of dying of the same thing as her husband: yours from cancer, and mine from an accident or the like.

In other words, the careers taken up by men are powerfully linked not only with their own lengths of life and causes of death, but also with those of the women who marry them. Or at least that is so if they are British. Since Professor Fletcher has not probed the mortality statistics of other nations, he is unable to say whether or not the same applies in them as well.

In Britain, though, he finds that the husband-wife link holds good across all 550 types of work officially listed by the registrar-general. In some of them, the link persists even though the man's prospects change on reaching a particular rank. For example, among public administrators below assistant-secretary level the chances of either them or their better halves dying before retirement age are well under 100. From that rank upwards the chances of the men and their wives alike jump to around 110.

What's weirder still is that the connection doesn't hold the other way round, with female bread-winners' typical life prospects being reflected by those of their husbands. If you are a woman financial manager married to a newspaper hack, for instance, then you alas cannot count on the better outlook linked with your own occupation. Your life expectancy will reflect the worse outlook of us journalists.

Illegally discriminatory though that may be, Ben Fletcher's studies* indicate that it's the way things are, for the British at any rate. And while there is no point in allowing it to distract us from pressing on with our careers, his research surely faces us with a mystery. After all, even if such links are familiar to and used by the actuarial profession, to know *that* they exist is not to understand *why* they should do so.

True, it is not the only puzzle underlying our seemingly clear-cut ways of earning our crusts. For a start, how we do skilled let alone innovative things at all is still at best dimly understood.

Another puzzle lurks below the use of the term "motivation" as a purported explanation of variances in people's work. If they do better than the apparent circumstances would lead us to expect, we say their motivation is high; if they do worse, we call it low. But what motivation actually consists of, nobody can be sure.

A few psychologists think it is like tension–until we've built up a certain amount of it, we don't even start moving. But that view is far from accepted. Indeed most shrinks never bother to ask what motivation is, being content with just seeking ways to get creatures to exhibit the supposed effects of the mysterious substance.

A further puzzle underlies the use by some recruiters of astrology which in Britain, as distinct from France in particular, is dismissed as a ludicrous way of assessing human ability. There's nevertheless something in it, as witness the research of French psychologist Michel Gauquelin, which the Oxford Companion to the Mind describes as follows:

"Certain professions were chosen–sports champions, actors, scientists–and their birth certificates consulted for the exact time of birth (which is recorded on the Continent though not in England). The subjects were 'famous', to be found in reference books, and their numbers ran into thousands.

"Astrologers believe the rising sign (the sign coming up over the horizon at the moment of birth) and the rising planet are of basic importance in governing a subject's temperament. Gauquelin's analysis seemed to show three other positions were equally important: directly overhead, sinking below the horizon, and directly underfoot–the four quarters of the heavens, as it were.

"The findings were perfectly clear. Sportsmen tended to be born when Mars was in one of these critical positions, actors when Jupiter was there, and scientists and doctors when Saturn was there."

Even so, to this sexagenarian at least, possible influences on birth seem a less pressing issue than what might govern events still ahead. Moreover, while the trends discovered by Gauquelin were too strong to be explained by chance, the statistical links found by Ben Fletcher look to be considerably stronger. What does he think could account for them?

While the obvious answer is the varying stress that different jobs impose on their doers, he believes it is the wrong one. Stress is too vague a notion, he says, especially when it is gauged by asking people how far they feel it. Those who say they're overloaded commonly show no ill effects, whereas others who feel stress-free often go under.

His theory is that the cause lies in what he calls "cognitive architecture", by analogy with "computer architecture". It might be depicted as the basic "wiring" which, without our being aware of it, governs our varied ways of thinking and so our career paths.

That might at least account for the connections between jobs and the life expectancies of their male doers. As for the husband-wife link, he suspects it may be the product of the historic, if no longer conscionable, belief that women are naturally subordinate.

Hence Professor Fletcher is trying to pinpoint the elements of cognitive architecture. If that could be done, he says, people might gain psychological as well as medical means of extending their productive lives. But as he's scarcely likely to do it in time to add much to mine, all I can do is wish him – and everyone else with a realistic hope of profiting – the best of luck.

Michael Dixon

Work, stress, disease and life expectancy. John Wiley. £45.50.

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The profile:
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**Please send your application and resumé to the Personnel Manager based at our European Headquarters:
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You should have a minimum of five years experience at a senior level in the economic development/inward investment field and possess a degree or professional qualification. First class communication and presentation skills are essential in order to express and promote the vision of the Corporation.

For an information pack, please contact Kathryn Knowles, Personnel Officer, Tel. no. 0222 471576 Ext. 230, or write to her at Cardiff Bay Development Corporation, Baltic House, Mount Stuart Square, Cardiff CF1 6DH.

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Interested applicants should contact Andrew Stewart at BBM Associates Ltd (Consultants in Recruitment) on 071-248 3653 or write, sending a detailed CV and covering letter to 76 Watling Street, London EC4M 9BJ.

76, Watling Street,
London EC4M 9BJ

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Tel: 071-248 3653
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Leicester University

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Further particulars can be obtained from the Vice-Chancellor, Dr Kenneth Edwards, University of Leicester, University Road, Leicester LE1 7RH, tel: Leicester (0533) 522322, to whom applications, including the names of three referees, should be sent to be received no later than Monday, 26 April 1993.

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FINANCIAL TIMES

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DIRECTOR DESIGNATE

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The identity of candidates will not be revealed to our client without prior agreement.

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JAC

ACCOUNTANCY COLUMN

Meeting of minds fails to strike the right balance

Andrew Jack reports on the gulf between academe and the profession revealed by a key conference

IF THE British Accounting Association conference held this week is anything to go by, the profession should be sadly shaking its head. As a slice through the current state of academia, the omens from the UK's principal annual research gathering held at Strathclyde University in Glasgow are not good.

Both the focus and the quality of research seem to an outside observer to leave much to be desired. While many academics criticise accountants for creating a profession shrouded in mystique and self-interest, they are doing exactly the same in their own work – with one important difference. Unlike accountants in business or public practice, they have apparently no "customers" to prevent them becoming smothered in self-absorption.

Karl Marx is certainly alive and well in accountancy departments across the country. But he is also no doubt turning fast in those tombs at the thought of those who have failed to move with the times, and who invoke his name while failing to match both his level of analysis and his writing abilities.

"Calls for concomitant change in accountancy practice have been made from perspectives if not entirely internal to the discipline then internal to a dualistic ontology," the abstract to one jargon-ridden and highly abstract paper begins.

Education would not be fulfilling its purpose if it was entirely utilitarian and vocational. A fascinating paper – unfortunately withdrawn at the last minute – promised to reconstruct the fifteenth century accounts of the Cely family, London wool and wheat merchants who diversified into shipping and overseas trading.

The findings? The accounts were in some ways highly sophisticated, and showed gross profits from shipping of 100 per cent against 10 per cent for the domestic wool trade. No surprise that the shift in activity took place.

But stripped of the blubber of verbiage, too many of the academic papers and presentations had little meat of original or interesting intellectual content, let alone solid bone of theoretical framework or structure.

Those attending the conference stressed the importance of meeting colleagues and carrying on work informally outside the seminars, and that many of the papers were at an early stage. But as the principal academic meeting in the UK each year, the output was disappointing.

Ironically, one of the better papers was given by two US academics, who suggested that women accountants were more moral than their male counterparts in the Big 6 firms.

Others looked at the accuracy of analysts' forecasts, studied the reasons for changes in audit firms by companies and examined the effectiveness of the government's reforms of the National Health Service.

Research in many academic subjects has no obvious ties to a profession. Some, such as literature, have little scope for becoming directly "relevant" to the world outside universities. But what seems surprising is that in one so young and so dependent on practitioners as accounting, there should be so little dialogue.

Many of the academics betrayed ignorance or naivety of the profession if not downright hostility. A good number seemed unable to even read a basic set of accounts.

As one survey presented at the conference showed, most practitioners believe accounting research is largely theoretical, with less concern on relevance to practical problems. It lacks general application, and focuses on multinationals more than small and medium-sized firms.

The mismatch works in both ways. The accountancy profession cannot escape without some blame. It seems to be making little attempt to build bridges, or learn from the more meaningful research. There was no sign of any technical staff or partners from the larger firms at the conference, for instance. The only outsiders to the 400-odd academics were a handful of publishers. Aside from its sponsorship of a few academic posts – rather than specific research projects – its role is negligible.

That is not to say that all the practical papers were of the greatest value. One consumed 45 pages of regression analysis to find that the turnover of newly-qualified accountants in the firms is determined by job satisfaction, and commitment to the organisation and the profession.

Another provided a useful review of the status of audit committees around the world, but finished with the hardly profound conclusion that: "they are not, and cannot be, the solution to all corporate ills".

There is clearly a danger that, with funding pressures tightening, research will be diverted too far to practical applications, or dressed uneasily in empirical clothes. A large number of the papers presented in Glasgow used surveys, but their sample sizes and hence reliability were risible: as low as 18 in one case.

The university academics mutter that standards have fallen now that polytechnics have been re-titled universities and that their lecturers, recast as dons, are being required to undertake serious research for the first time. But some of these papers do at least have relevance, reflecting the vocational bent of the former polytechnics. One considered ways to make accounting information friendly and useful to managers in business, for instance.

A more valid reason for low quality may be that academic accounting is fragmenting, with the more worthwhile research being presented at specialist conferences away from the annual gathering.

Yet if there is better work being done elsewhere, there certainly seems to be little attempt to disseminate the findings beyond abstruse technical journals which circulate only to university departments and libraries. That may be the best way to gain personal career advancement for academics, but it does little good to society at large.

An interesting start to re-focusing attention outwards was made at this year's conference in the form of a debate between politicians and practitioners. (In the interests of full disclosure, take note that the author of this column chaired the session).

Austin Mitchell, the labour MP who is making a second career from lambasting accountants, continued his calls for an end to self-regulation, the introduction of regular rotation of audit firms and a new companies act which sets out auditors' duties to shareholders, including the detection of fraud.

Stuart Bell, Labour's trade and industry spokesman, called for a US-style Securities and Exchange Commission, the enshrinement of accounting and auditing standards in European directives and the possibility of German-style supervisory boards to oversee companies.

Primrose McCabe, senior vice-president of the Institute of Chartered Accountants of Scotland, asked for time to let the new mechanisms of discipline and enforcement work, while conceding that auditors may have given way to chief executives too easily during the 1980s.

Bill Morrison, deputy senior partner of KPMG Peat Marwick and chairman of the Auditing Practices Board, stressed the need for litigation protection for auditors and for recognition of the role of professional expertise and judgment in the audit rather than simply simplistic, dogmatic rules.

However accurate or misguided these views, they provide an illustration of the some of the concerns vexing the profession. Perhaps academics should take heed of them in determining their own research interests, and then be sure to disseminate the findings widely. While most turn their backs on the world off-campus, the risk is that an unrepresentative handful that do speak up distort the image and reputation of the discipline.

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FINANCIAL TIMES

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financial controller

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Accounting Expert

at the Ministry of Finance, Government of Poland Department of Accountancy

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financed under the EC PHARE Financial Sector Development Programme

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The adviser must possess (or have ready access to) an excellent knowledge and experience of the following:

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- The accounting standards applied in EC member states, the International Accounting Standards (IASC) and the EC Fourth Directive (and subsequent updates)
- Specialist technical accounting matters, as *consolidated financial statements* and inflation accounting; cost and management accounting; public service accounting
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The contract is for one year with the possibility of renewal.

Please write enclosing a full C.V. quoting reference P 9108-9, to Dr Waldemar Maj, President of the Foundation for the Development of the Financial Sector (*Executing Agency*), Ministry of Finance, ul. *Swietokrzyska 12, 00-916 Warsaw, Poland.*

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berghaus

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Copper savaged by new bout of heavy selling

By Kenneth Gooding, Mining Correspondent

SAVAGING OF the copper price continued yesterday on the London Metal Exchange as it crashed through the psychologically-important $2,000 a tonne level and slumped to its lowest level for five years.

Heavy selling, some of it by the Chinese who were previously substantial buyers of copper, caused the rout.

Copper for delivery in three months was $2,026.50 a tonne at the market's official close last night but dealers said the price continued to fall and was trading at $1,965 a tonne – a drop of $135 or more than 8.5 per cent since Monday.

On the New York Commodity Exchange by mid-afternoon the most-active May copper contract was at 88.10 cents a lb ($1,942 a tonne), the lowest since high-grade copper futures were first traded in 1988.

Mr William Adams, analyst at Rudolf Wolff, part of the Noranda natural resources group, said copper might now breach the $1,940 reached on the LME in February, 1988. "But without question it is over-sold and we must expect the price to bounce back."

Traders had expected the copper price to be volatile this week as LME options were to be declared yesterday. In the event, about 5,700 lots of copper "put" options, equivalent to more than 143,000 tonnes, were exercised, traders said, an unusually large number.

Mr Adams suggested, however, this was widely expected and "was in the price." Brokers had seen copper's price falling from $2,400 since the begining of 1993 and taken action to manage the risk.

Mr Euan Worthington, head of the mining team at the S G Warburg financial services group, said that most copper producers would still be profitable at present price levels. New technology used to produce an increasing tonnage of copper was driving down the industry's average cost of production. "The price would have to drop a long way, perhaps to 60 cents a lb [$1,322 a tonne], before there would be any serious copper mine closures."

Fox set to reform raw sugar market

By David Blackwell

THE LONDON Futures and Options Exchange (Fox) is expected to announce on Tuesday major changes to its raw sugar market.

The present raw sugar contract might even be closed, to be replaced by one designed to prove more attractive to the London sugar trade.

The Fox raw sugar market has suffered a dramatic slide in volumes over the past couple of years. Fox has tackled the problem, including experimenting with screen trading, but to no avail. Last month volume fell to just 1,399 lots compared with 4,384 lots in March last year.

In January 1991, when raw sugar was switched to screen trading in a bid to boost volumes, the contract traded 120,176 lots. By December of that year volume had dwindled to 24,157 lots and in January 1992 the contract was taken off the screen and put back on the floor.

By then, however, London traders were losing interest. The relatively young New York market, which attracts a lot of speculative money, has usurped London's role as sugar's international price setter.

Some critics have blamed London's decline on the failed experiment in screen trading. Others point to a decision to make Cuban sugar deliverable in London, which ruled out US market players. Yesterday Fox said that Cuban sugar would no longer be deliverable.

However, the fall in volumes has taken place against a background of changes in the underlying physical market over the past decade. The London raw contract was designed with British Commonwealth producers in mind. But now much more sugar comes out of the Far East and Latin America. At the same time the number of big traders in London has declined.

Fox will keep its screen-traded white sugar contract, which is in competition with a similar contract on France's Matif. Last month Fox white sugar turnover totalled 38,395 lots, compared with 33,633 lots in March 1992.

● London's International Petroleum Exchange has reported a 37 per cent increase in volumes for the 1992-93 financial year to 11.9m contracts. Mr Peter Wildblood, chief executive, said yesterday that monthly volumes had exceeded 1m lots for the past six months and "conservative commentators are confident that this trend will continue."

LME acts to contain VAT row

By Kenneth Gooding, Mining Correspondent

A FESTERING problem for London Metal Exchange traders and their clients over changes to the European Community's value added tax regulations erupted yesterday when the exchange temporarily disenfranchised its warehouses in France.

A decision to change the Community rules was taken late in December and this took effect in January. The new regulations implied that VAT would have to be paid any time metal of European origin changed hands in the EC, even if it was not removed from warehouse.

Although the VAT could be reclaimed, the implications for traders' cash flows were vast. One trader estimated his organisation would have to find an extra $100m for VAT if the rules were not changed.

Traders reacted by diverting thousands of tonnes of metal from Europe to LME warehouses in other parts of the world.

The LME executive consulted the European Commission, identified a solution to the problem and has been putting this to the authorities in those EC countries where the exchange has warehouses.

Agreement has already been reached in the Netherlands and Belgium, where the biggest tonnage of LME metal is stored. Mr David King, the exchange's chief executive, said yesterday: "We have already made substantial progress, given the magnitude of this problem."

However, he suggested the French "are being less pragmatic than the Dutch and Belgians and so far have not been inclined to change their rules."

As it was the LME's policy to have its approved warehouses open to all its listed brands of metal without restriction of taxes and duties, it would no longer permit delivery of any metal – whether from the EC or elsewhere – into the French warehouses in Dunkirk.

Dunkirk is not one of the LME's important locations. About 5,160 tonnes of metal is on warrant there compared with 1.75m tonnes in Rotterdam and 450,000 tonnes in Antwerp.

Mr King said contacts had been made with the authorities in Italy, Germany and Spain but so far there had not been enough time for the problem to be fully discussed there.

US pork farmers await ruling

By Nancy Dunne in Washington

US PORK producers are waiting with some anxiety for the outcome of their "extraordinary challenge" to a US-Canadian panel whose ruling on an American anti-subsidy complaint, expected today, could remove the approximately $18 a head countervailing duty imposed on Canadian swine imports.

The Americans have three times gone before such "bi-national" panels, established under the US-Canadian Free Trade Agreement, and each time they have lost. This time, said Mr Russ Sanders, executive vice president of the National Pork Producers Council, a loss could set a precedent allowing bi-national panels to "rewrite US trade law".

Even so, a defeat would mean only a stumble in the otherwise forward movement of US producers into a future which once seemed clouded by the fitness and nutrition crazes of the last 20 years. Clever marketing and judicious use of US trade policy are paying off, and the industry is surging ahead of its competition and past expectations.

This year production could exceed last year's record-breaking 17.2bn lbs. Despite its worries about the Canadian competition and the EC Third Country Meat Directive (which has slashed exports to Europe), the industry is confident and promising to export more aggressively than ever.

The Pork Producers Council attributes its turn-around to a little noticed 1985 "legislative checkoff," which let farmers vote to contribute automatically from each sale to a $35m-$40m marketing fund. The Council's "Pork – The Other White Meat" campaign has dramatically reshaped the product's image and boosted US consumer demand.

Exports overall were up about 56 per cent in volume terms, while imports were down 17.5 per cent.

In addition, the North American Free Trade Agreement promises the possibility of a young, more prosperous market, 100m consumers strong.

Australia rejects wool price plea

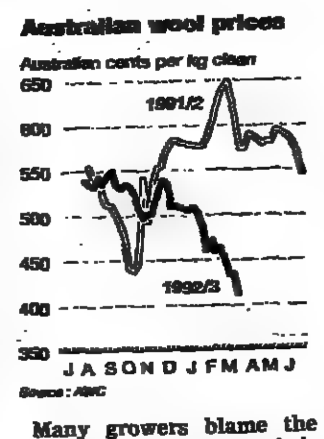
By Kevin Brown in Sydney

THE Australian government yesterday rejected calls for the reimposition of price fixing to increase returns to wool producers hit by record low prices.

Mr Simon Crean, the federal primary industries minister, said calls for a return to the floor price system abolished in 1991 were "nonsense – the government cannot solve the problem by artificially fixing the price. That is not the solution to the problem – it caused the problem".

Mr Crean was responding to calls by growers for urgent action to reduce the impact of a collapse in the national market indicator to 412 cents a kilogramme from nearly 550 cents in November.

The market indicator, a weighted average of auction prices for 15 grades of wool, stood at 729 cents before the abolition of the 700 cents floor price two years ago.



Many growers blame the slide in prices on a 3.9m bale stockpile of unsold wool held by the Australian Wool Realisation Commission (AWRC), a government-appointed body set up after the abolition of price fixing. The AWRC has resisted growers' calls for the stockpile to be destroyed or sold to the former Soviet Union, once a major buyer of Australian wool, on generous credit terms.

However, the Australian Wool Corporation (AWC), the industry's marketing organisation, left the option of barter or credit sales open at its annual meeting yesterday in the wool growing town of Tamworth.

Mr Mac Drysdale, chairman, said that a "crippling imbalance" between supply and demand was the main reason why the industry was facing "the worst downturn of its long, proud and tumultuous history".

Production was expected to total 794m kilogrammes in the year to the end of June, compared with average production of 675m kg in the five years to 1985, when the industry was consistently profitable, he said.

Mr Drysdale was careful not to question the commission's legal responsibility to manage the stockpile. However, he said the commission "could look at" several non-commercial ways of disposing of it. These included barter trading with countries where hard currency is in short supply; establishing joint venture processing facilities with such countries; and using stockpile wool to fulfil foreign aid commitments.

The wool industry's problems stem from over-production following a boom in prices in 1987-88, when the market indicator (then calculated on a slightly different basis) rose from 781 cents to 1,269 cents.

Production rose steadily in response to high prices, but the market indicator collapsed to just over 700 cents following the partial withdrawal from the market of the Soviet Union, China and Japan.

At its peak, the stockpile of unsold wool purchased by the corporation under the floor price system stood at 4.8m bales, financed by government guaranteed debt of A$2.8bn and a 25 per cent levy on growers' incomes.

Timber accord faces green pressures

By Frances Williams in Geneva

NEGOTIATIONS ON a new tropical timber accord to replace the 1983 United Nations agreement begin next week in Geneva amid strong pressure from environmental groups for tougher rules on forest conservation.

The 51 members of the International Tropical Timber Agreement – who account for virtually all the $7.5bn world tropical timber trade – will also discuss a controversial demand from producing countries that non-tropical timber be included in the successor accord. This idea has already been rejected by consumer nations.

Producers will in addition be pressing rich nations to share the burden of tropical forest conservation by increasing financial assistance and facilitating technology transfer.

The four-day meeting, which ends on April 16, is not expected to resolve the main differences between the two sides. The UN Conference on Trade and Development has already scheduled a further negotiating session in Geneva for June 21-25.

The 1983 tropical timber accord, which came into force in 1985, is due to expire at the end of March 1994. Its 23 producing members, the biggest being Brazil, Indonesia and Malaysia, represent about 89 per cent of the world's tropical forests and about the same proportion of world exports of tropical timber by volume.

Japan and the European Community are by far the biggest importers among the 28 consumer members, which account for about 80 per cent of tropical timber imports.

The 1983 agreement aims to ensure that the economic use of tropical timber is balanced with conservation efforts and environmental needs. But environmentalists complain that the International Tropical Timber Organisation, which administers the pact, has failed to stop large-scale forest destruction and degradation. For their part, producers say the ITTO has been of little help in promoting sustainable forest development.

Initially, the main function of the Yokohama-based organisation was seen as promoting research and development projects related to forest management, exploitation and economic and market information. By the end of last year, the ITTO's council had approved 179 projects worth $150m.

But in the past two to three years, the ITTO has paid more attention to environmental issues. Its 1990 action plan includes giving priority to arresting the decline and degradation of tropical forests, and in 1991 members committed themselves to ensuring that by the year 2000 all tropical timber exports will come from sustainably managed forests. The ITTO has also issued guidelines on sustainable forest management and the conservation of biological diversity in tropical forests.

Cominco modifying mill to overcome shortfalls

By Bernard Simon in Toronto

COMINCO is modifying the mill at its Red Dog zinc and lead mine in Alaska in a further bid to overcome persistent shortfalls in production.

The Vancouver-based company said that changes to the grinding circuit should bring performance "close to" the design capacity of 42,000 tonnes per month of zinc concentrates. Zinc recoveries improved to 81 per cent of concentrate content in the first quarter, from 73 per cent last year and 65 per cent in 1991.

But a spokesman acknowledged that further adjustments, mainly to pumps and pipelines, will be required to bring lead recoveries to an acceptable level. Lead accounts for about one-fifth of Red Dog's output.

Despite containing the world's richest zinc deposit, Red Dog's operations have been hampered since it was commissioned in 1989 by an unexpectedly complex ore body.

A Toronto analyst said yesterday that Cominco "turned the deposit over from the geologists to the mine planners too quickly." Among the unforeseen problems has been the discovery of oxides, which do not float and have complicated the recovery of metal.

Rise of UK tractor sales cheers equipment industry

By Andrew Baxter

TRACTOR sales in the UK rose by 13 per cent in the first quarter of 1993, raising hopes that the equipment industry might enjoy a better year after sales reached a record low in 1992.

According to the Agricultural Equipment Association, tractor registrations reached 3,910 units in the first three months of this year, up 13 per cent on a year earlier. Registrations for 1992 were 14,296.

Investment in machinery had been running at very low levels in recent years, leading to a real need to re-equip, but uncertainty over reform of the Common Agricultural Policy and the Gatt negotiations had held the market back.

Improved farm incomes last year plus lower interest charges on farm borrowing have brightened prospects but the real stimulus has been the higher agricultural support prices resulting from devaluation of the Green Pound, says the association.

Mr Chris Evans, its economist, said there had been a change of mood over the past two months. Earlier, uncertainty about the future seemed to be the main concern for farmers. In March, however, there was a surge of orders.

The association remains cautious on equipment prospects.

WORLD COMMODITIES PRICES

MARKET REPORT

New York raw **SUGAR** prices were at fresh session lows in heavy late trading. The market was under pressure from the opening bell on technical liquidation following Tuesday's steep decline. The nearby May contract fell more than 0.5 cents a lb, touching a low of 10.81 cents a lb. London **COCOA** and **COFFEE** prices looked set to be winding down ahead of the Easter holidays. Uncertainty over whether the Ivory Coast, the world's biggest producer, would keep its threat not to market its mid-crop, especially given speculation over its size, was keeping prices under wraps, dealers said. The weakness in copper failed to unsettle the LME's other base metal contracts. Three-month **ALUMINIUM** touched a fresh 16-month low of $1,125 a tonne before edging back up to finish unchanged. **LEAD** and **ZINC** continued to draw support from recent mine cutbacks, and closed steadier. **GOLD** spent most of the day testing support on the London bullion market, but **SILVER** showed the most volatility of the precious metals – fund buying was prominent on dips but profit-taking prevented any gain from being sustained.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(May)		+ or -
Dubai	$18.41-8.44u	+.015
Brent Blend (dated)	$18.65-8.68	+0.03
Brent Blend (May)	$18.88-8.90u	+0.03
W.T.I (1 pm est)	$20.34-0.37u	+0.05
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$207-209	
Gas Oil	$178-179	-1
Heavy Fuel Oil	$77-78	-1
Naphtha	$175-178	+0.5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$336.65	-1.5
Silver (per troy oz)♣	381.5c	-7.5
Platinum (per troy oz)	$359.25	-3
Palladium (per troy oz)	$110.65	-3.65
Copper (US Producer)	96.5c	-4
Lead (US Producer)	34.85c	
Tin (Kuala Lumpur market)	14.35r	-0.01
Tin (New York)	259.5c	-1.5
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	135.31p	+1.30*
Sheep (live weight)†♠	133.37p	+0.03*
Pigs (live weight)†	93.02p	+1.43*
London daily sugar (raw)	$283.2	-12.3
London daily sugar (white)	$291.0	[illegible]
Tate and Lyle export price	£288.5	[illegible]
Barley (English feed)	£144.5u	
Maize (US No. 3 yellow)	£171.0	
Wheat (US Dark Northern)	Unq	
Rubber (May)♥	60.50p	
Rubber (Jun)♥	61.00p	
Rubber (KL RSS No 1 Apr)	215.0m	[illegible]
Coconut oil (Philippines)§	$395.0y	+5
Palm Oil (Malaysian)§	$412.5x	
Copra (Philippines)§	$262.5	[illegible]
Soyabeans (US)	£175z	[illegible]
Cotton "A" index	61.50c	
Wooltops (64s Super)	357p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-May/Jun u-May x-Apr. z-Apr/May ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♠Sheep prices are now live weight prices * change from a week ago, provisional prices

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Aug	263.00	279.00	263.00	
Oct	254.00	277.00	254.00	
White	**Close**	**Previous**	**High/Low**	
May	285.00	296.00	301.00	285.00
Aug	267.00	301.00	301.00	287.00
Oct	273.00	285.50	285.50	271.50
Dec	278.00	288.50	283.00	278.00
Mar	279.00	287.50	286.30	279.00
May	286.30	290.50	286.30	

Turnover: Raw 27 (11) lots of 50 tonnes. White 2712 (4002) Paris- White (FFr per tonne): May 1571.75 Aug 1605.20

CRUDE OIL – IPE ($/barrel)

	Latest	Previous	High/Low	
May	18.87	18.78	18.92	18.80
Jun	18.97	18.89	19.01	18.91
Jul	18.92	18.83	18.94	18.86
Aug	18.93	18.89	18.93	
Oct	19.04	18.94	19.04	19.00
Nov	19.07	-	19.07	
IPE Index	18.67	19.12		

Turnover 15462 (33869)

GAS OIL – IPE ($/tonne)

	Close	Previous	High/Low	
Apr	179.75	177.25	180.00	177.00
May	175.25	174.25	175.50	174.00
Jun	174.25	173.25	174.25	173.25
Jul	174.50	174.25	175.00	173.75
Aug	176.25	175.00	176.00	175.75
Sep	178.00	177.75	178.00	177.75
Oct	180.75	180.50	180.50	180.00

Turnover - (22539) lots of 100 tonnes

WOOL

The only auction test of wool values this week was in New Zealand and most of the wool sold there went at prices up to 2.5% lower than at the previous sale. Only two-thirds of the offering was sold, the rest being held back by growers at reserves of their own. The Easter recess in the selling season started with international wool markets generally easier and with little to indicate that demand would be sufficient to absorb auction offerings. This has a depressing effect on trade and prices throughout the industry.

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low	
May	685	688	687	678
Jul	697	699	701	691
Sep	711	713	711	705
Dec	729	732	731	725
Mar	749	752	751	745
May	763	766	764	760

Turnover: 1569 (2679) lots of 10 tonnes. ICCO indicator prices (SDRs per tonne). Daily price for Apr 6 705.02 (696.62) 10 day average for Apr 7 703.27 (702.17)

COFFEE – London FOX ($/tonne)

	Close	Previous	High/Low	
May	886	873	886	874
Jul	849	840	857	840
Sep	850	845	860	845
Nov	860	856	864	854
Jan	875	867	870	
Mar	885	872	880	861

Turnover: 4886 (2981) lots of 5 tonnes. ICO indicator prices (US cents per pound) for Apr 5: Comp. daily 50.82 (50.56) 15 day average 52.87 (53.11)

POTATOES – London FOX (£/tonne)

	Close	Previous	High/Low	
Mar	42.5	42.0	41.5	41.0
Apr	93.0	-	93.0	91.0
May	100.0	-	100.0	

Turnover 94 (85) lots of 20 tonnes.

SOYAMEAL – London FOX (£/tonne)

	Close	Previous	High/Low
Apr	144.00	143.70	144.00

Turnover 85 (150) lots of 20 tonnes.

FREIGHT – London FOX ($10/index point)

	Close	Previous	High/Low	
Apr	1430	-	1430	1420
May	1410	-	1410	1405
Jul	1250	-	1250	1240
Oct	1355	-	1355	1350
BFI	1476	-		

Turnover 50 (0)

GRAINS – London FOX (£/tonne)

Wheat	Close	Previous	High/Low	
May	143.95	143.75	144.25	143.95
Jun	144.55	144.35	144.70	144.55
Nov	110.60	110.50	110.75	110.55
Jan	113.50	113.45	113.50	
Mar	115.60	-	115.60	
May	118.50	-	118.50	
Barley	**Close**	**Previous**	**High/Low**	
Nov	109.60	108.75	109.60	

Turnover: Wheat 146 (143), Barley 1 (12). Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Apr	114.5	-	114.0
May	112.5	-	112.0
Jun	109.5	-	109.0
Jul	105.0	-	104.5
Nov	105.5	-	105.0

Turnover 49 (8) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 35,511 lots
Cash	1108.5-9.5	1107.5-8.5	1108.5/1108.5	1108.5-4.0		
3 months	1130.5-1.0	1130.5-1.0	1133/1125	1125.5-6.0	1132-3	160,586 lots
Copper, Grade A (£ per tonne)						Total daily turnover 72,375 lots
Cash	1333-4	1373.5-4.5	1131/1330	1331-1.5		
3 months	1356-7	1400.5-1.0	1357/1341	1355.5-6.0	1341-2	154,634 lots
Lead (£ per tonne)						Total daily turnover 4,484 lots
Cash	279-80	276.5-7.5	276	[illegible]		
3 months	288.5-9.0	286-6.5	291.5/285	284.75-5.25	281-1.5	19,362 lots
Nickel ($ per tonne)						Total daily turnover 8,707 lots
Cash	6000-5	6030-40	6005	6005-10		
3 months	6071-3	6100-10	6090/6020	6060-5	6060-5	43,962 lots
Tin ($ per tonne)						Total daily turnover 2,570 lots
Cash	5615-25	5600-10		5590-5		
3 months	5675-80	5660-70	5680/5620	5655-60	5685-90	8,940 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 11,922 lots
Cash	991.5-2.5	995-6		991-1.5		
3 months	1010-1	1014-5	1013/1003	1010-10.5	1012.5-13	68,462 lots

LME Closing £/$ rate: SPOT: 1.5156 | 3 months: 1.5065 | 6 months: 1.4963 | 9 months: 1.4910

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	336.50-336.80	
Opening	336.70-337.10	
Morning fix	337.15	221.795
Afternoon fix	336.75	222.101
Day's high	337.70-338.00	
Day's low	336.40-336.70	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.65	6 months	2.49
2 months	2.59	12 months	2.47
3 months	2.53		

Silver fix	p/troy oz	US cts equiv
Spot	249.60	379.15
3 months	253.05	381.85
6 months	256.65	385.05
12 months	263.45	391.85

GOLD COINS

	$ price	£ equivalent
Krugerrand	336.50-339.50	221.00-223.00
Maple leaf	346.55-348.80	-
New Sovereign	79.00-82.00	52.00-54.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	May	Aug	May	Aug
1100	25	54	6	13
1125	11	39	17	22
1150	4	25	35	34
Copper (Grade A)	**Calls**		**Puts**	
1900	74	112	18	30
1950	44	82	38	49
2000	23	57	67	73
Coffee	**May**	**Jul**	**May**	**Jul**
850	47	39	9	40
900	18	21	30	72
950	6	11	68	112
Cocoa	**May**	**Jul**	**May**	**Jul**
700	7	32	22	35
725	2	22	42	50
750	1	15	66	68
Brent Crude	**May**	**Jun**	**May**	**Jun**
1850	-	-	-	17
1900	21	53	11	30
1950	5	25	41	-

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Apr	336.4	337.9	338.5	336.9
May	339.0	338.5	0	0
Jun	336.7	338.3	339.7	337.9
Aug	341.0	340.8	340.6	339.3
Oct	342.3	341.9	0	0
Dec	343.7	343.3	343.6	342.0
Feb	345.2	344.8	344.5	343.7
Apr	346.7	346.3	345.9	345.0
Jun	348.2	347.8	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Apr	361.9	364.7	365.0	360.0
Jul	358.9	361.7	360.5	356.6
Oct	357.5	360.5	359.0	358.2
Jan	356.5	359.5	357.5	359.0
Apr	359.0	359.0	358.5	358.5

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Apr	385.9	384.5	0	0
May	386.7	385.5	387.0	379.6
Jun	388.0	388.8	386.0	386.0
Jul	389.2	388.0	390.0	382.0
Sep	391.7	390.5	392.5	385.0
Dec	395.4	394.2	396.0	388.5
Jan	395.9	394.6	0	0
Mar	399.3	398.1	395.0	[illegible]
May	401.7	400.5	395.5	395.5
Jul	404.4	403.2	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Apr	87.90	92.15	87.95	87.90
May	88.30	92.50	90.45	86.85
Jun	88.75	92.90	90.85	88.90
Jul	89.15	93.30	91.25	87.80
Aug	89.55	93.70	92.00	89.90
Sep	90.00	94.10	92.05	89.80
Oct	90.25	94.30	99.30	90.90
Nov	90.70	94.65	92.80	91.20
Dec	91.15	95.20	93.40	90.00
Jan	91.45	95.45	[illegible]	90.50

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
May	20.33	20.30	20.40	20.27
Jun	20.52	20.49	20.60	20.46
Jul	20.60	20.58	20.67	20.55
Aug	20.63	20.63	20.65	20.64
Sep	20.66	20.65	20.70	20.58
Oct	20.70	20.65	20.70	20.69
Nov	20.67	20.64	20.69	20.64
Dec	20.64	20.63	20.66	20.62
Jan	20.65	20.60	20.65	20.60
Feb	20.61	20.56	20.63	20.61

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
May	56.25	55.96	56.40	55.90
Jun	56.85	55.56	56.10	55.70
Jul	56.05	55.92	56.25	56.00
Aug	56.70	56.52	56.80	56.60
Sep	57.60	57.52	57.80	57.60
Oct	58.65	58.50	58.55	58.56
Nov	59.50	[illegible]	59.50	59.50
Dec	60.40	60.28	60.55	60.40
Jan	60.75	60.73	60.75	60.75
Feb	60.53	60.53	0	0

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
May	901	894	903	895
Jul	930	924	[illegible]	[illegible]
Sep	957	952	957	953
Dec	993	989	992	992
Mar	1022	1018	1023	1021
May	1042	1038	1042	[illegible]
Jul	1062	1058	0	0
Sep	1084	[illegible]	1085	1085
Dec	1114	1110	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
May	54.46	55.75	56.40	54.30
Jul	56.20	57.50	58.10	56.00
Sep	58.06	59.30	59.90	58.00
Dec	60.86	62.00	62.70	60.75
Mar	63.55	64.30	64.40	64.20
May	65.35	[illegible]	66.10	66.10
Jul	67.15	68.05	68.50	67.40
Sep	68.75	69.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	10.89	11.47	11.38	10.81
Jul	11.18	11.89	11.80	11.17
Oct	11.04	11.54	11.45	11.04
Mar	10.52	11.02	10.97	10.52
May	10.50	10.99	10.95	10.60
Jul	10.70	11.09	11.00	10.70

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
May	61.54	62.16	62.24	61.35
Jul	62.40	63.08	63.00	62.22
Oct	62.61	63.20	63.10	[illegible]
Dec	[illegible]	62.50	62.35	61.80
Mar	63.17	63.70	63.20	63.15
May	63.85	64.30	0	0
Jul	64.35	64.82	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	92.45	94.65	93.25	90.00
Jul	95.55	96.95	96.20	93.50
Sep	98.50	99.50	99.20	97.10
Nov	100.75	102.05	0	99.50
Jan	103.25	103.90	103.50	101.00
Mar	105.05	105.45	104.00	104.00
May	105.05	105.45	0	0
Jul	105.05	105.45	0	0
Sep	105.05	105.45	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Apr 7	Apr 6	mnth ago	yr ago
1696.1	1703.5	1760.3	1633.9

DOW JONES (Base: Dec. 31 1974 = 100)

	Apr 6	Apr 5	mnth ago	yr ago
Spot	123.42	123.79	-	117.04
Futures	126.07	127.38	-	120.74

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
May	597/2	590/2	599/0	588/4
Jul	602/6	595/6	603/2	594/0
Aug	605/4	598/6	605/6	597/0
Sep	608/4	600/2	608/6	598/6
Nov	611/6	605/2	612/0	603/4
Jan	618/4	612/4	618/6	611/4
Mar	625/6	620/0	625/0	618/4
May	629/4	624/0	629/4	627/4
Jul	631/4	626/4	631/4	626/4
Nov	615/0	609/0	615/0	609/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
May	21.72	21.29	21.76	21.20
Jul	21.97	21.58	22.00	21.47
Aug	22.06	21.66	22.06	21.61
Sep	22.15	21.75	22.15	21.72
Oct	22.26	21.89	22.26	21.80
Dec	22.49	22.14	22.50	22.00
Jan	22.50	22.17	22.50	22.09
Mar	22.86	22.32	22.86	22.32
May	22.70	22.40	0	0
Jul	22.76	22.50	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
May	185.8	184.6	186.1	184.5
Jul	187.2	185.9	187.3	[illegible]
Aug	188.2	185.6	188.4	186.6
Sep	189.2	187.5	189.2	187.5
Oct	190.0	188.3	190.0	188.3
Dec	192.0	190.4	192.4	190.5
Jan	192.6	190.7	193.1	191.2
Mar	193.6	191.6	193.6	192.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
May	231/4	229/2	231/6	229/2
Jul	237/2	235/0	237/4	233/4
Sep	241/6	239/6	242/0	238/6
Dec	247/6	246/2	248/0	245/4
Mar	254/4	253/0	254/6	252/4
May	258/0	257/0	258/0	257/0
Jul	262/0	260/4	262/0	260/2
Dec	253/4	252/0	253/6	252/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
May	344/4	343/4	346/2	342/0
Jul	313/2	310/6	313/4	309/6
Sep	317/0	315/0	317/2	313/4
Dec	326/2	324/0	326/4	[illegible]
Mar	330/4	328/4	330/4	327/0
Jul	320/0	320/6	321/0	320/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Apr	81.450	81.100	81.700	81.250
Jun	75.975	75.750	76.250	75.850
Aug	72.325	72.225	72.600	72.250
Oct	73.675	73.600	73.925	73.650
Dec	73.850	73.775	74.000	73.800
Feb	73.125	73.050	73.450	73.125
Apr	74.300	74.300	74.450	74.300

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Apr	47.300	47.875	48.050	47.175
Jun	53.125	54.000	54.250	53.050
Jul	52.175	52.875	53.150	52.150
Aug	49.400	50.025	50.250	49.350
Oct	44.175	44.750	44.900	44.025
Dec	45.050	45.600	45.800	45.025
Feb	45.100	45.450	45.150	44.900
Apr	43.900	44.000	0	[illegible]

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
May	[illegible]	50.075	51.100	49.325
Jul	49.800	50.500	51.150	49.850
Aug	47.200	47.350	47.800	46.900
Feb	42.900	43.225	43.500	42.875
Mar	42.525	42.600	0	42.525
May	42.800	0	0	0
Jul	42.800	0	0	0
Aug	42.800	0	0	0

LONDON STOCK EXCHANGE

FT-SE 2,800 tested in poor turnover

By Terry Byland, UK Stock Market Editor

A DISAPPOINTINGLY small reduction in money market repurchase rates in Germany deepened the gloom in the UK stock market yesterday, and the FT-SE Index bounced uncomfortably on the 2,800 mark before rallying weakly in late trading.

A blue chip sector already hurt by renewed selling of Wellcome and tobacco issues took further losses after a sell-off in stock index futures.

Seaq-reported trading volume was thin, but dealers commented that the retail business, always reported one day in arrears, has remained strong as the market has slipped by nearly 39 points on the Footsie scale over the past trading week.

Equities opened firmly as renewed improvement in sterling buttressed hopes that domestic rates might be cut soon. Reports that March had brought the largest monthly upturn in UK house prices for four years also helped sentiment.

But the early gain of 4.8 on the Footsie scale was quickly reversed when the June future contract on the index ran into sellers. Share prices then drifted lower, with the setback restrained by some arbitraging against stock index futures.

However, the very modest slackening in German repurchase rates, which are seen in London as the most likely arena for an easing of Bundesbank policy, sent share prices on the downward trend.

At worst the market touched 2,800.6 on the Footsie, a net 31.6 off on the day, lending conviction to those analysts who have predicted a Footsie in the 2,780 area before long. In the absence of selling pressure, however, London staged a thinly traded technical rally at the close, encouraged by an early gain of 17 Dow points as New York opened.

At the close, the FT-SE Index was 10.1 down on the day at 2,822.1. Trading volume barely moved in the final hour, bearing out comments from the dealing rooms that there had been little strength behind the late recovery in share prices.

At 508m shares, Seaq volume was down from the 538.4m recorded on Tuesday; retail volume worth £1.13bn on Tuesday indicated that genuine investment activity has remained satisfactory, from the point of view of the London-based securities houses.

Most of the blue chip sectors continued to lack support. Among the much-battered pharmaceuticals, Glaxo showed some recovery but Wellcome was again sharply lower. Tobacco stocks, too, remained under the pressure imposed last week by the decision by Philip Morris, of the US, to cut cigarette prices.

Some confidence was shown in the building materials and construction sectors, which are likely to be the immediate beneficiaries of economic recovery.

But doubts that the recovery will be consumer driven were reflected in losses across the brewery and distillery stocks.

Traders comforted themselves with the belief that UK securities markets had already slowed down ahead of the Easter weekend, which will shut the London markets from tonight until Tuesday morning.

But anxious glances were thrown at the Footsie 2,800 mark, which many analysts expect to face further testing today unless there are more positive factors to encourage investors in the UK equity market.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ASDA Group	8,800	86½		Courtaulds	841	559	-5	Lonrho	1,300	89	-1	Shell Transport	3,000	588	-½
Abbey National	3,700	369	-1	Dalgety	745	441	-4	Lucas	582	128	-1	Siebe	489	444	
Albert Fisher	540	71		De La Rue	250	884	-1	MB Caradon	830	304	-4	Slough Ests	1,100	189	+2
Allied-Lyons	1,400	556	-12	Dixons	1,100	210	+2	MEPC	334	385	+1	Smith (W.H.) A	414	429	+5
Amstrad	781	32	-½	Eastern Elect.	423	482	+3	Manweb	135	545		Smith & Nephew	3,400	155½	-2
Anglian Water	425	552	+2	East Midland Elect.	556	479	+2	Marks & Spencer	4,300	339	+1	SmKl Beecham	2,900	474	-2
Argos	1,400	301	-7	Eng China Clays	812	448	+3	Midlands Elect.	224	501	+1	SmKl Beecham Uts.	3,600	362	
Argyll Group	3,100	326	-7	Enterprise Oil	1,400	490	-5	Morrison (Wm.)	894	152	-3	Smiths Inds.	7	326	-1
Arjo Wiggins	716	182	-1	Eurotunnel Units	115	482	-1	NFC	1,300	248		Southern Elect.	638	491	+1
Ass. Brit. Foods	759	490	+5	FKI	423	117	-1	NatWest Bank	2,400	442	+7	South Wales Elect.	125	565	+7
Ass. Brit. Ports	215	393	-4	Fisons	3,200	168	-1	National Power	1,400	350	+2	South West Water	193	568	+3
BAA	980	779	-9	Foreign & Col. I.T.	970	221	-½	Next	723	168	-3½	South West. Elect.	194	525	+4
BAT Inds.	4,800	874	-6	Forte	4,400	181	+2½	North West Water	1,700	532	+4	Southern Water	219	553	+5
BET	1,800	85	-1	Gen. Accident	579	589	-6	Northern Elect.	688	545	-8	Standard Chartd.	211	700	-3
BICC	7,200	359	-2	General Elect.	11,000	323	+6	Northern Foods	3,700	282½	+½	Storehouse	1,800	198	-1
BOC	1,100	703	-7	Glaxo	3,800	584	+8	Norweb	180	535	+1	Sun Alliance	841	354	+12
BP	7,800	306	-½	Glynwed Int.	600	282		Pearson	328	412	-1	T&N	698	185	+1
BPB Inds.	1,000	205	+6	Granada	1,600	398	-3	P & O	987	558	-1	TI Group	675	362	+4
BT	9,400	429		Grand Met.	4,800	418	-8	Pilkington	836	116		TSB	2,100	173	
BTR	8,200	600	-10	GUS A	544	1619	+9	PowerGen	845	352	+2	Tarmac	1,400	128	+3
Bank of Scotland	2,300	120½	-2½	GRE	175	179	-2	Prudential	2,000	329	+1	Tate & Lyle	1,600	421	-1
Barclays	2,700	407	+5	GKN	887	449	-7	RMC	444	601	+1	Taylor Woodrow	2,100	98	+4
Bass	1,000	546	-3	Guinness	3,700	464	-14	RTZ	3,100	655	-12	Tesco	7,100	229	-3
Beresford Int.	17	125		HSBC (75p shs)	1,300	611	-2	Racal	199	305	-3	Thames Water	197	563	+8
Blue Circle	2,300	222	+6	Hammerson 'A'	149	338	-5	Rank Org.	943	699	+3	Thorn EMI	640	855	-8
Booker	3,600	381	-6	Hanson	5,600	237½	+½	Reckitt & Colman	2,200	606	-11	Tomkins	2,600	241	-1
Boots	2,100	466	-6	Hanson Warrants	829	24½	+¼	Redland	2,500	435	+8	Trafalgar House	780	79	
Bowater	213	483	+1	Harrisons Crosfield	304	186	+1	Reed Intl.	387	676	+2	Unigate	76	383	-4
Brit. Aerospace	1,100	270		Hillsdown	3,200	149	-3	Rentokil	821	214	-3	Unilever	1,500	1130	-14
British Airways	2,900	272½	+2½	IMI	329	274	+1	Reuters	1,300	1330	-15	United Biscuits	1,500	383	-6
British Gas	8,700	310¼	+3	ICI	1,100	1142	-11	Rolls Royce	2,200	122½	-½	Utd. Newspapers	400	549	+8
British Land	386	330	+2	Inchcape	342	580	-3	Rothmans	506	615	-27	Vodafone	1,300	386	+1
British Steel	6,900	78	-2	Johnson Matthey	94	448	+2	Ryl Bk Scotland	920	259	-3	Warburg (SG)	178	840	+3
Bunzl	323	131	-1	Kingfisher	671	581	+1	Royal Insurance	2,200	309		Wellcome	4,200	698	-23
Burmah Castrol	383	796	+4	Kwik Save	1,300	742	-10	Saatchi	94	175	-8	Welsh Water	327	608	-1
Burton	13,000	79½	-½	Ladbroke	4,800	169		Sainsbury	2,800	464	-8	Wessex Water	161	647	
Cable & Wire.	1,800	720	+4	Land Securities	619	635	+2	Scottish & New.	540	467	-6	Whitbread 'A'	357	458	-5
Cadbury Schweppes	1,600	474	-16	Laporte	351	631	+3	Scot. Hydro-Elect.	1,200	383	-1	Williams Hldgs.	627	325	-8
Calor Group	117	380		Legal & General	2,200	455	+8	Scottish Power	1,100	323½	-3½	Willis Corroon	847	190	-1
Carlton Comms.	674	738	-2	Lloyds Abbey	1,800	414	+6	Sears	2,800	102½	+1½	Wimpey	[illegible]	143	+4
Coats Viyella	1,000	237½	-½	Lloyds Bank	1,500	532	-5	Sedgwick	470	158		Wolseley	78	883	+1
Comm. Union	853	607	-6	LASMO	2,200	154	-4	Seeboard	115	527	+4	Yorkshire Elect.	37	548	+1
Cookson	540	208	+1	London Elect.	190	487		Severn Trent Water	770	522	+5	Yorkshire Water	284	589	-1

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

Account Dealing Dates

*First Dealings:		
Mar 29	Apr 19	May 10
Option Declarations:		
Apr 15	May 6	May 20
Last Dealings:		
Apr 16	May 7	May 21
Account Day:		
Apr 26	May 17	Jun 1

*New time dealings may take place from 8.30am two business days earlier.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2822.1 -10.1	3083.7 -3.7	1385.01 -4.19

	Apr 7	Day's change %	Apr 6	Apr 5	Apr 2	Year ago	Earnings yield %	Dividend yield %	P/E Ratio	Xd adj ytd
FT-SE 100	2822.1	-0.4	2832.2	2838.8	2869.9	2393.2	6.39	4.04	19.88	31.80
FT-SE Mid 250	3083.7	-0.1	3087.4	3090.8	3108.5	2327.4	6.70	3.79	18.82	21.69
FT-SE-A 350	1401.2	-0.3	1405.5	1409.4	1422.2	1159.3	6.48	3.99	19.72	16.40
FT-SE SmallCap	1538.07	-0.3	1542.49	1545.96	1551.99	-	4.96	3.74	28.87	12.23
FT-SE SmallCap ex Inv Trusts	1545.28	-0.3	1550.07	1554.10	1560.17	-	5.50	3.98	26.80	12.16
FT-A ALL-SHARE	1385.01	-0.3	1389.20	1392.18	1405.13	1144.85	6.37	3.97	20.10	14.04
1 CAPITAL GOODS(213)	942.30	-0.2	944.02	946.60	953.91	773.34	5.71	4.10	23.01	9.01
2 Building Materials(27)	961.79	+0.6	955.98	960.21	965.80	926.52	5.40	5.14	26.35	4.86
3 Contracting, Construction(29)	847.75	+1.0	839.12	837.25	837.47	837.75	3.24	3.91	79.19	7.01
4 Electricals(15)	2700.24	-0.2	2706.92	2681.73	2693.67	2383.57	5.54	5.00	22.96	19.67
5 Electronics(37)	2671.94	+0.9	2647.50	2631.81	2643.98	1738.02	5.93	2.99	21.33	18.20
6 Engineering-Aerospace(7)	339.17	-0.3	340.17	341.73	344.89	338.73	6.05	4.22	21.92	3.19
7 Engineering-General(51)	542.44	—	542.35	543.48	547.59	470.42	7.18	3.91	17.70	5.61
8 Metals & Metal Forming(11)	366.00	-1.0	369.54	376.10	384.47	313.62	4.74	3.36	30.65	0.66
9 Motors(17)	387.41	-0.6	389.59	391.00	395.85	300.55	5.29	5.69	27.02	5.63
10 Other Industrials(18)	2068.14	-1.3	2095.46	2110.20	2128.41	1613.01	5.73	3.97	21.43	32.66
21 CONSUMER GROUP(236)	1628.58	-0.7	1640.83	1649.31	1663.30	1565.23	7.09	3.49	17.59	13.04
22 Brewers and Distillers(29)	1902.78	-1.8	1937.93	1950.60	1971.66	1938.05	8.47	3.79	14.44	10.78
25 Food Manufacturing(22)	1372.62	-1.0	1386.40	1402.93	1424.35	1212.43	7.42	3.68	17.04	16.05
26 Food Retailing(18)	2950.02	-1.4	2991.90	3017.68	3058.32	2554.83	8.69	3.40	14.97	3.50
27 Health & Household(29)	3359.94	-0.2	3366.25	3367.83	3381.19	4072.09	6.73	3.36	17.22	28.93
29 Hotels and Leisure(21)	1284.74	-0.2	1287.08	1298.33	1311.35	1223.42	6.17	4.99	21.66	20.90
30 Media(33)	1897.71	-0.3	1903.01	1908.94	1905.12	1475.98	5.30	2.70	23.27	21.88
31 Packaging and Paper(24)	851.97	-0.2	853.98	854.63	859.65	722.18	8.29	3.42	16.54	8.78
34 Stores(39)	1138.24	+0.1	1137.44	1142.77	1153.62	956.86	6.38	3.05	20.73	8.70
35 Textiles(20)	796.04	-0.4	799.59	792.60	798.10	642.37	6.40	3.84	19.88	4.61
40 OTHER GROUPS(142)	1488.92	-0.2	1492.48	1496.82	1515.32	1142.57	8.24	4.21	14.95	14.24
41 Business Services(27)	1587.19	-0.7	1598.20	1600.56	1612.97	1233.67	5.65	3.17	21.83	4.32
42 Chemicals(23)	1449.18	-0.7	1459.28	1459.97	1475.87	1443.46	6.22	4.78	20.29	22.82
43 Conglomerates(11)	1395.48	—	1394.85	1399.84	1408.29	1281.90	7.95	5.39	14.98	13.71
44 Transport(15)	2844.45	-0.3	2854.32	2890.36	2932.87	2256.85	7.82	3.86	15.81	37.01
45 Electricity(16)	1795.15	+0.2	1791.85	1771.33	1769.40	1074.43	12.07	4.01	10.88	28.80
46 Telephone Networks(4)	1748.41	+0.1	1746.13	1767.76	1792.48	1279.03	7.53	3.67	17.29	1.83
47 Water(13)	3719.52	+0.5	3700.97	3671.12	3675.17	2140.95	12.14	4.47	9.15	11.83
48 Miscellaneous(32)	2273.95	-1.4	2306.16	2312.94	2401.21	1809.17	7.11	4.47	17.24	41.04
49 INDUSTRIAL GROUP(590)	1421.80	-0.4	1427.78	1433.37	1447.35	1231.09	7.23	3.86	17.70	12.75
51 Oil & Gas(18)	2480.91	+0.1	2479.22	2448.91	2458.07	1872.00	5.68	4.67	23.30	25.78
59 "500" SHARE INDEX(608)	1514.88	-0.4	1520.43	1523.88	1537.43	1300.89	7.04	3.95	17.81	13.82
61 FINANCIAL GROUP(88)	978.18	+0.1	977.07	979.78	980.67	838.87	3.40	4.32	51.07	15.78
62 Banks(9)	1321.40	—	1321.08	1330.92	1350.05	807.78	4.87	4.08	30.16	20.94
65 Insurance (Life)(6)	2015.98	+0.5	2005.75	2014.22	2034.80	1263.39	2.52	4.45	69.16	41.16
66 Insurance (Composite)(7)	659.29	+0.2	658.00	652.38	659.15	419.96	‡	4.70	‡	7.42
67 Insurance Brokers(10)	785.31	-0.2	787.11	780.85	793.19	891.99	7.33	4.99	16.34	10.70
68 Merchant Banks(6)	623.93	-0.1	624.00	624.88	625.38	406.47	7.35	3.82	17.44	4.21
69 Property(28)	786.43	+0.1	785.59	781.87	783.48	813.80	8.15	5.00	21.95	1.70
70 Other Financial(23)	344.14	+0.3	343.30	343.60	344.20	321.21	6.70	4.76	19.81	2.76
71 Investment Trusts(108)	1431.71	-0.2	1434.90	1435.75	1445.71	1112.68	2.31	2.86	43.28	11.87
99 FT-A ALL-SHARE(806)	1385.01	-0.3	1389.20	1392.18	1405.13	1144.85	6.37	3.97	20.10	14.04

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	2831.5	2836.1	2823.0	2824.4	2815.4	2803.8	2810.4	2816.9	2820.8	2837.0	2800.6
FT-SE Mid 250	3087.8	3088.5	3084.5	3086.3	3085.0	3080.1	3080.2	3082.8	3083.6	3088.9	3079.6
FT-SE-A 350	1405.3	1407.1	1401.7	1402.4	1398.8	1393.7	1396.4	1399.1	1400.7	1407.5	1392.8

Gross dividend yield (Tax credit at 20%) FT-SE 100:4.04%

FT-SE Actuaries 350 Industry Baskets

Equity	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous close	change
Construction	1629.4	1631.1	1632.8	1642.8	1644.0	1644.9	1644.0	1646.2	1650.2	1650.8	1629.7	+21.1
Health&H	1014.8	1015.8	1013.8	1015.0	1012.5	1007.6	1008.5	1010.5	1009.1	1009.1	1011.0	-1.9
Water	1533.2	1532.2	1530.8	1530.2	1534.1	1532.4	1533.2	1536.2	1537.4	1537.4	1530.6	+6.8
Banks	1606.2	1609.4	1607.3	1607.0	1600.9	1599.3	1603.8	1604.1	1604.2	1604.7	1605.4	-0.7

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT at the same address. The increase in the size of the FT-Actuaries All-Share Index from January 1 1993 means that the FT 500 now contains more stocks. ‡ Sector P/E ratios greater than 80 are not shown. ‡ Values are negative. The FT-SE 100, the FT-SE Mid 250 and the FT-SE Actuaries 350 indices are compiled by the London Stock Exchange and the FT-Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1993. © The Financial Times Limited 1993. All rights reserved. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company.

Wellcome sellers return

DRUGS group Wellcome lost ground in spite of attempts by the company yesterday to staunch the recent blood-letting.

Wellcome tried to counter doubts about the effectiveness of its AZT anti-Aids drug with data suggesting that early use could improve the chances of survival. *However, the attempt* appeared to fuel controversy as investors, unimpressed with the company's arguments, sold shares again on fears of another round of negative publicity for the drug.

The argument over the accuracy of the long-lasting Concorde trial was taken a stage further as one of the trial's senior researchers hit out at the company. Professor Ian Weller, the trial's principal UK investigator, accused Wellcome of "manipulating the data of the trial". Wellcome shares closed 23 lower at 698p. There was some switching into Glaxo, which rose 8 to 384p.

Gas strengthens

The best performance from the energy sector of the market came from British Gas after the stock was given a strong boost at the annual oil seminar given by Kleinwort Benson Securities. The broker's bullish presentation on Gas drove the shares up to an all-time high of 313p before *profit-taking* left the stock closing a net 3 ahead at 310¼p.

British Gas was the Kleinwort oil team's prime buy recommendation, with the broker highlighting Gas's growth *potential over the next five* years. "Gas's upstream arm will transform the company over the next five years," said Kleinwort's Mr Paul Spedding.

The broker put a valuation of £5bn on Gas's upstream division, *and forecast a startling* acceleration in cash flow generated by the upstream arm from 1994-95 onwards as many of Gas's North Sea projects are developed and move into production. Mr Spedding *estimated that cash flow would* surge from 1993's £100m to above £1bn by 1997 and that the division should provide some 30 per cent of Gas's profits by the turn of the century.

Kleinwort also focused on *the increasing importance of* rising unregulated upstream earnings which should give a push to Gas's price/earnings multiple. Regarding the MMC review, the broker "does not expect a tightening of the regulatory regime".

Rothmans hit

Worries over the prospects for tobacco groups in particular and the value of branded goods in general spilled over into Rothmans International, the "B" shares falling 27 to 615p.

Rothmans does not sell cigarettes in the US and would not be hit by the recent announcement from Philip Morris of a price war. However, analysts said Philip Morris's decision to drop the price of its Marlboro brand had prompted the market *to look at companies with* any cigarette exposure and also group's with highly valued brands. Rothmans markets luxury goods under the Dunhill and Cartier labels. BAT Industries, whose shares were savaged by the Philip Morris move last week, declined 6 to 874p.

Doubts on Reuters

A presentation by Reuters' chief executive prompted some analysts to take a somewhat less enthusiastic view of shares in the electronic information group.

Mr Peter Job, at a presentation late on Tuesday, cast doubt over the anticipated bonus to shareholders from the company's £700m cash mountain. He also said prices for some of the company's services would be held down for the next year.

The media team at French-owned investment house SGST said it "found no reason to change our view that the stock is expensive" and reiterated its sell stance at the morning meeting. *The shares lost 15 to* 1330p on turnover of 1.3m.

BP's recent excellent run was halted in midsession when dealers picked up hints that the latest well, on its Cusiana project in Colombia, was dry. *The oil field, discovered last* year, is BP's biggest find since Forties, in the North Sea, and Prudhoe Bay.

The Cusiana speculation pushed BP down to 302p before it closed only fractionally off at 306p. Turnover was an unremarkable 6.7m shares.

Lasmo came under renewed downward pressure as the series of post-results meetings with big institutional shareholders - many disillusioned by the results and dividend cut - continued. Lasmo eased 4 to 154p on 2.2m traded.

Sun Alliance rose strongly ahead of today's preliminary *figures, closing 12 higher at* 354p, mostly reflecting a stock shortage, according to dealers. Analysts expect the group to reveal domestic mortgage *indemnity losses of around* £200m, leading to pre-tax losses *of between £140m to £165m.*

GEC, boosted in recent weeks by a series of bullish broker circulars, delivered another strong performance, with S.G. Warburg said to have been one of the keenest supporters of the shares yesterday. They closed 6 up at a 10-year high of 323p on good turnover of 11m.

A buy note from James Capel on Marks and Spencer was the highlight of a dull stores sector, although the stock gave up some gains to close only a penny firmer at 339p. Elsewhere, Kingfisher continued to respond to recent positive broker comments and *added a penny at 581p. Dixons* put on 2 at 210p after announcing the sale of its Supasnaps chain to Sketchley.

Food retailers bore the brunt of negative comment over Tuesday's results from Tesco, *with fears of a price war worrying some.* Tesco shares tumbled, but managed to rally towards the end for a net loss of 3 at 229p. *J. Sainsbury* slipped 8 to 464p, Kwik Save 10 to 742p and Argyll 6 to 326p.

One reason why the sector has been under a cloud was evident in figures from Nurdin & Peacock, with an upbeat view of the group's Club Warehouse concept, the US-style discount store scheme currently *worrying food specialists.* Together with good figures, this sent the shares forward 9 to 218p.

A gloomy drinks sector was further clouded by a cautious statement from Heineken, the *big Dutch brewer, which* announced results yesterday. The group said the European drinks trade was "one of stagnation without any likelihood of a substantial improvement in the short-term." Predictably, the worst casualties were stocks combining international exposure and famous brands, namely. Allied Lyons fell 12 to 558p, Grand Metropolitan, 8 to 418p, and Guinness, 14 to 464p.

Hotel stocks stabilised, despite Savoy Group's report of losses for the first time in its history. The tightly-traded Savoy, in which Forte owns 42 per cent of the voting rights, *slipped just 2 to 738p. Analysts* said the figures were in line with expectations. Forte shares defied continued talk of dividend cuts next week, and rumblings of a rights issue to fund any fire sale at the suspended Queens Moat Houses, to surge 3¼ to 181p.

Defence group Hunting closed 8 lower at 230p, after it surprised the market with a 2 *for 9 rights issue to raise* £36.8m, as it reported full year figures ahead of market expectations.

British Steel remained under pressure and the shares eased 1¾ to 78p, as several brokers continued to urge investors to sell the stock. Analysts fear that demand for steel will continue falling. Turnover was 5.9m shares.

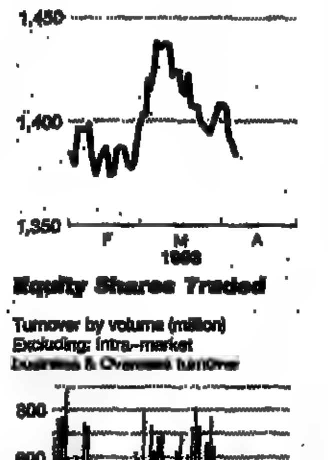
The reduction of profit estimates by several brokers earlier this week continued to *weaken BAA and the shares* closed 9 lower at 779p. GKN gave up 7 to 449p, on worries concerning the weakness in the German economy previously a lucrative market for the company.

A profits warning from dry cleaner Sketchley sent the shares falling sharply to close 14 lower at 96p. Accountancy practice worries continued to dog Morgan Crucible leaving the shares to fall 9¾ to 277½p.

MARKET REPORTERS:
Christopher Price, Peter John, Joel Kibazo, Steve Thompson.

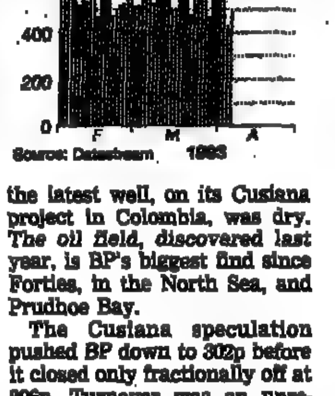
■ Other market statistics, Page 22

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



Source: Datastream 1993

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (96).
OTHER FIXED INTEREST (1) Ireland 9¾pc '10, BREWERS (2) Kirin, Mansfield, BLDG MATLS (3) Epwin, Marley, Tarmac, CONGLOMERATES (2) Green (J), Jourdan (T), CONTG & CONSTRCN (5) Bellway, Berkeley, Howden-Stuart, McAlpine (A), Taylor Woodrow, ELECTRICALS (2) Fujitsu, Toshiba, ELECTRICITY (4) Northern, Seeboard, South Western, Yorks., ELECTRONICS (4) Alphameric, GEC, Gresham, Macro 4, ENG GEN (1) Atlas Cnvtg. Equipment, FOOD MANUF (2) Golden Vale, Tate, HOTELS & LEIS (1) Manchester Utd., INSCE BROKERS (1) Hogg, INSCE LIFE (1) Irish Life, INV TRUSTS (18) Abtrust New Dawn B Wts., Amicable Smaller, Baillie Gifford Japan, Baillie Gifford Shin Nippon, EFM Japan, Do Wts., Flmg. Japanese, Do Wts., For. & Colonial Pacific, Do Wts., JF Fledg. Japan, Do Wts., JF Japan OTC Inc., Japanese Wrt. Fund, Martin Currie Pacific, Morgan Grenfell Equity Inc., New City & Comm. Deb. '98, Turkey Tst., MEDIA (6) Daily Mail, Intl. Business Comms., Independent, News Intl., Quarto, Ulster TV, MERCHANT BANKS (1) Wintrust, MTL & MTL FORMING (1) Utd. Industries, MISC (2) Gt. Southern, Headlam, MOTORS (5) Bletchley, Dagenham, Jessups, OIL & GAS (3) Chevron, Gaelic Res., Presidio, OTHER FINCL (6) Baltic, Cater Allen, Govett, Oceana, Smith New Court, Somerset, PACKG, PAPER & PRNTG (3) Brit. Polythene, Do 7½pc Pf., Low & Bonar, PROPERTY (7) Asda Prop., Brit. Land 8¾pc Pf., Daejan, Hambro Countrywide, Land Secs., Merivale Moore, YRM, TEXTS (2) Dewhirst, Martin Intl., TRANSPORT (1) TIP Europe, WATER (8) Anglian, North West, Northumbrian, Severn Trent, South West, Southern, Thames, Yorks., MINES (5) Kenmare, Delta Gold, Monarch, Do CV. '98, Oryx, Pancont'l., Unisel, Winkelhaak.

NEW LOWS (65).
BRITISH FUNDS (2) Treas. 14½pc '94, Exch. 13½pc '94, AMERICANS (1) Morris (Ph), BREWERS (6) Allied-Lyons, Burn Stewart, Grand Met., Greenalls, Do 5.95pc Pf., BUSINESS SERVS (2) Barbour Index, Sketchley, CHEMS (3) BOC, British Vita, Ellis & Everard, CONGLOMERATES (4) Bibby (J), Brierley, Gieves, Tomkins, CONTG & CONSTRCN (3) Allen, NSM, Smart (J), ELECTRICALS (1) Scholes, ENG GEN (4) Barry Wehmiller, Beverley, Fife Indmar, Victaulic, FOOD MANUF (2) Dalgety, Sims, FOOD RETAILING (10) Appleby Westward, Argyll, Ashley, Kwik Save, Low (Wm), Morrison (Wm), Do 5¼pc Pf., Sainsbury, Tesco, Do 9pc Cv. '05, HEALTH & HSEHOLD (5) Baxter Intl., Community Hsptls., Fisons, London Intl., ML Labs., HOTELS & LEIS (1) Airtours, INSCE COMPOSITE (1) Skandia, INV TRUSTS (1) Spanish Smlr Wts., MTL & MTL FORMING (1) Cohen (A), MISC (4) Attwoods, BAT Inds., Shanks & McEwan, Toye, MOTORS (1) BBA, OIL & GAS (2) Sunrise Energy, Teredo, OTHER INDLS (3) Morgan Crucible, Tomkins 5¼pc Pf., Williams, PACKG, PAPER & PRNTG (1) SCA, PROP (1) Speyhawk, STORES (3) Boots, Liberty N/V, Oriflame, TELE NETWORKS (3) Cable & Wireless, Securicor, Security Servs., TRANSPORT (1) Clarkson.

FINANCIAL TIMES EQUITY INDICES

	April 7	April 6	April 5	April 2	April 1	Year ago	*High	*Low
Ordinary share	2182.6	2189.8	2196.7	2223.3	2223.1	1894.7	2299.5	2124.7
Ord. div. yield	4.52	4.49	4.47	4.43	4.43	4.80	4.52	4.30
Earning yld % full	6.34	6.30	6.28	6.19	6.19	7.00	6.34	5.79
P/E ratio net	19.58	19.70	19.77	20.05	20.05	17.92	22.01	19.58
P/E ratio nil	18.27	18.38	18.45	18.63	18.63	16.79	20.30	18.27
Gold Mines	130.0	134.5	132.1	125.9	116.5	111.5	134.5	60.0

*for 1993. Ordinary share index since compilation: high 2298.5 10/3/93 - low 49.4 26/6/40
Gold Mines index since compilation high: 734.7 15/2/83 - low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2189.2	2193.3	2183.1	2186.7	2179.3	2168.3	2174.4	2180.8	2182.9	2193.6	2165.9

Volume	April 7	April 6	April 5	April 2	April 1	Year ago
SEAQ Bargains	25,369	35,589	39,627	41,830	43,519	24,941
Equity Turnover(£m)†	-	1127.8	1051.0	1473.6	1318.9	932.3
Equity Bargains†	-	45,313	46,788	50,439	52,824	27,893
Shares traded (mil)†	-	492.0	494.3	591.3	643.2	411.4

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

EQUITY FUTURES AND OPTIONS TRADING

STRONG two-way business in index options boosted total turnover as London's derivatives market announced the introduction of eight new equity options contracts, writes Joel Kibazo.

Having been in the doldrums over the previous *two* sessions, business in the traded *options showed* a marked improvement and turnover by the close had reached 39,617 contracts. Some 10,763 lots were dealt in the *FT-SE 100* option, while the Euro FT-SE option *was also heavily* traded at 9,218 contracts.

In the stock options, Asda Group was the most active with a total of 5,994 contracts and was followed by Hanson at 2,507. BT and Hillsdown were also heavily traded.

The Liffe yesterday announced the introduction of *eight new equity* options contracts, taking the number traded to 70.

The new contracts are Argyll Group, National Westminster Bank, Redland, Royal Insurance, Tarmac, Tomkins, Williams Holdings and Zeneca. All with the exception of *Zeneca will be traded from May 12.* Options in Eurotunnel, GKN, Vaal Reefs and Scottish & Newcastle are being phased out.

In futures, the June contract on the FT-SE 100 opened at 2,843 and drifted lower for the rest of the day to end at 2,828, down 17 from its previous *close and at a 5-point discount* to the underlying cash market. Volume was 9,584 lots.

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1993 high	1993 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
Treas 12½pc 1993‡‡		101⅛	—	103⅛	101⅛	12.27	[illegible]
Funding 6pc 1993‡‡		100¼	—	100¼	99⅞	5.98	[illegible]
Treas 13¾pc 1993‡‡		105	—	106⅞	105	13.10	[illegible]
8½pc 1994		102⅞	—	102⅞	101⅞	8.26	[illegible]
14½pc 1994‡‡		107⅞	-⅛	108¼	107⅞	13.46	[illegible]
Exch 13½pc 1994		107⅞xd	-⅛	108¼	107⅛	12.51	[illegible]
Treas. 10pc Ln. 1994‡‡		104¼	—	105⅞	104⅛	9.60	[illegible]
Exch 12½pc 1994		108⅞	—	110⅞	108⅞	11.50	[illegible]
Treas 9pc 1994‡‡		104⅛	—	106⅛	103⅞	8.80	[illegible]
12pc 1995		110⅛	—	111⅛	109⅛	10.90	[illegible]
Exch 3pc Gas 90-95		98¼xd	—	98¼	94	3.12	[illegible]
10¼pc 1995		109¼	—	109⅞	107⅞	9.43	[illegible]
Treas 12¾pc 1995‡‡		115⅛	—	116⅞	114⅛	11.08	[illegible]
14pc 1996		119⅛	—	120⅞	117⅞	11.70	[illegible]
15¼pc 1996‡‡		123⅞xd	+⅛	125⅞	122⅛	12.31	[illegible]
Exch 13¼pc 1996‡‡		118⅞	+⅛	120⅛	118⅛	11.19	[illegible]
Conversion 10pc 1996		110⅞	+⅛	111⅞	109	9.04	[illegible]
Treas 13¼pc 1997‡‡		121⅞	+⅛	122⅞	119⅛	10.89	[illegible]
Exch 10½pc 1997		112⅞	+⅛	113⅞	110⅞	9.32	[illegible]
Treas 8¾pc 1997‡‡		107⅞	+⅛	108⅛	105½	8.13	[illegible]
Exch 15pc 1997		130⅞xd	+⅛	132⅛	128⅛	11.48	[illegible]
9¾pc 1998		111⅞	+⅛	112⅞	109⅞	8.75	[illegible]
Five to Fifteen Years							
Treas 7¼pc 1998‡‡		102⅛	+⅛	103¼	99⅞	7.60	[illegible]
Treas 6¾pc 1995-98‡‡		100⅛xd	+⅛	101	97⅞	6.73	[illegible]
15½pc '98‡‡		137	+⅛	138⅞	134⅞	11.31	[illegible]
Exch 12pc 1998		121⅞	+⅛	122⅞	118⅞	9.88	[illegible]
Treas 9½pc 1999‡‡		111⅞	+⅛	112½	108⅞	8.55	[illegible]
Exch 12¼pc 1999		123⅞	+⅛	124⅞	120⅞	9.86	[illegible]
Treas 10½pc 1999		115⅞	+⅛	117⅞	113¼	9.07	[illegible]
Conversion 10¼pc 1999		115⅛	+⅛	117⅛	112⅞	8.98	[illegible]
9pc 2000‡‡		108⅛	+⅛	110⅞	106	8.22	[illegible]
Treas 13pc 2000		129⅞	+⅛	131	125½	10.07	[illegible]
10pc 2001		114⅛	+⅛	115⅞	109⅞	8.77	[illegible]
14pc '98-1		127⅞	+⅛	129½	125⅞	10.94	[illegible]
9¾pc 2002		113⅞	+¼	114⅞	109⅞	8.61	[illegible]
8pc 2003‡‡		102⅞	+⅛	103⅞	97⅞	7.83	[illegible]
10pc 2003		114⅞	+⅛	116⅛	109⅛	8.71	[illegible]

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1993 high	1993 low	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1993 high	1993 low	Yield (1)	Yield (2)
Index-Linked							
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for July 1992: 138.8 and for February 1993: 138.8.

OTHER FIXED INTEREST

	Notes	Price £	+ or -	1993 high	1993 low	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on next page

LONDON SHARE SERVICE

AMERICANS

Notes	Price £	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbott Labs	16¾xd	-⅛	20⅞	15½	13,704	2.9
Allegheny & W ♥	513p	-8	571p	399p	286.6	4.0
Amdahl	413p	+1	591p	400p	463.8	1.7
Amer Cyanamid	33¼	-⅛	35⅛	32¼	2,907	3.4
Amer Express	16¾xd	+¼	19½	14⅞	8,962	3.7
Amer T & T	37⅝xd	+⅜	40⅞	33⅛	50,037	2.4
Ameritech	51¼	+½	52¾	45	22,558	4.9
BankAmerica	32⅛xd	+⅛	38⅛	28⅞	11,305	2.9
Bankers NY	45⅛xd	-¼	51⅞	42⅝	3,702	4.7
Bell Atlantic	36½	+⅜	39⅛	32¾	15,801	5.1
BellSouth	37⅞	+⅜	38⅞	33½	18,449	5.1
Bethlehem Steel ♥	11¼xd	—	13¼	10	1,008	–
Bowater	1499pxd	+36	1682p	1335p	538.5	1.9
CPC	28¼xd	+⅛	34⅝	28⅛	4,278	3.1
Cadiz Land Inc ♥	115p	—	115p	115p	–	–
California Engy	1465p	—	1479p	1086p	255.8	–
Chase Manhattan	22½xd	-⅛	24½	17⅞	3,457	3.7
Chrysler	26⅞xd	+⅜	28⅞	21¼	7,870	1.5
Citicorp	18⅛xd	-⅛	20⅛	13⅞	6,785	–
Colgate-Palm	39⅛xd	-1¼	45⅝	35¼	6,288	2.2
Cont'l Bank	1760p	-55	1877p	1278p	1,717	2.4
Dana	39½xd	+⅜	34⅞	29⅞	1,389	3.6
Data General	768p	+10	851p	710p	280.7	–
Decora Inds ♥	148p	—	148p	148p	–	–
Dun & Brad	38½	—	42⅞	37⅞	6,859	4.1
Eaton	58¼	-⅜	59⅝	50⅝	1,946	2.7
Echlin	15½xd	+⅛	18⅞	15⅛	913.4	3.0
FPL	24⅛xd	-⅛	27⅝	23⅛	4,428	7.0
Ford Motor	35⅞	+7⅛	35½	28⅞	17,297	1.9
Gen Elect	59⅞xd	+⅜	61¼	53⅞	51,189	2.9
General Host ♥	629p	+29	723p	573p	–	3.9
Gillette	37⅛xd	-1¼	42⅝	35⅛	8,144	1.3
Hasbro	20⅞	—	20⅞	20⅞	1,816	0.8
Honeywell	21⅞xd	+⅛	24⅞	20⅞	3,887	2.8
Houston Inds	31⅛	+⅛	33⅛	29⅛	4,031	6.6
IBM	34⅛	-⅛	39⅛	33⅞	19,471	4.4
Ingersoll-Rand	28⅛xd	+⅛	26	19⅞	2,115	2.4
Lockheed	41⅞	+⅛	42⅞	35⅛	2,554	3.5
Lowe's h	2031p	-78	2339p	1573p	1,481	0.9
Merrill Lynch	44⅞xd	-1⅛	50⅞	37	4,579	1.9
Morgan (JP)	44⅛xd	-⅛	48½	38¼	8,424	3.7
Morris (Philip)	31⅝xd	-1½	52⅝	31⅝	29,899	3.8

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

	Notes	Price	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Glencar Expl I£	‡‡	7	+1	8	5	1.29	-
Greenwich Res	♣□	12¼	-¼	16½	5	9.89	-
Hanlo Gold C$		64¼	-¼	65	23½	498.0	2.1
Ivernia West I£	‡‡□	53	—	57	31	28.7	-
Kenmare	♣□	8¼	+¼	8¼	5	8.89	-
Malinga Res.		16½	+1½	20½	14	1.71	-
Navan Res I£	♣	31	—	34	25	4.15	-
8pc Ln Notes		29	-2	34	25	6.09	-
Oryx Gold		71	+15½	71	47	—	-
Plateau		37	—	3	3	1.37	-
RTZ	♣□	686	-12	709	634	6,878	4.0
Vaonga	♣□	8½	-¼	8¼	2¼	2.04	-

INVESTMENT COMPANIES

MEDIA

MOTORS

OIL & GAS

PACKAGING, PAPER & PRINTING

STORES

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

□ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
● "Tap Stock"
* Highs and lows marked thus have been adjusted to allow for rights issues for cash
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
φ Figures or report awaited
● Not officially UK listed; dealings permitted under rule 535(4)(a)
♣ Free annual/interim report available, see details below.
✠ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
¥ Price at time of suspension
¶ Indicated dividend yield after pending scrip and/or rights issue.
♦ Merger bid or reorganisation in progress
§ Forecast dividend yield; p/e based on earnings updated by latest interim statement.
♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
i Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Yield based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1225 a year for each security shown, subject to the Editor's discretion

FT Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Ring +44 81-643 7181 (open 24 hours including weekends) or fax +44 81-770 0544, quoting the code FT7584. Reports will be sent the next working day, subject to availability. Please remember to state the weekly changing code above.

FT Cityline

Real time share prices and other stock market information is available through the FT Cityline International telephone service.
Annual subscription £250.00 stg.
Call +44 71-925 2128 for more details.

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 873 4378.

AUTHORISED UNIT TRUSTS

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Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administration costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (✦) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (#) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

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FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 873 4378.

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Scottish Provident Inv Mgt Ltd (1000)F						
6 St Andrew Sq, Edinburgh EH2 2YA				031-558 2340		
Equity Growth Acc	6	24.31	24.53	26.25	-0.13	2.86
Equity Growth Inc	6	20.59	20.77	22.23	-0.11	2.86
Intl Growth Acc	6	27.16	27.43	29.38	-0.07	1.39
Intl Growth Inc	6	25.78	26.04	27.87	-0.07	1.39
Global Income Acc	6	30.30	30.60	32.84	-0.08	3.85
Global Income Inc	6	23.95	24.10	25.79	-0.07	3.85
Market Leaders Acc	6	25.21	25.38	27.18	-0.10	2.92
Market Leaders Inc	6	21.00	21.15	22.64	-0.08	2.92
Scottish Widows' Fund Mngmt (0800)H						
PO Box 902, Edinburgh EH16 5BU				031-669 3724		
Equity Acc	6	467.8	472.1	503.5	-1.2	3.15
Equity Inc	6	330.5	333.6	355.8	-0.8	3.15
UK High Inc Acc	6	224.7	227.4	242.5	+0.3	4.18
UK High Inc	6	164.5	166.5	177.5	+0.2	4.18
Europe Acc	6	258.0	260.3	277.6	+0.5	1.17
Europe Inc	6	247.5	249.7	266.3	+0.5	1.17
Nth Amer Acc	6	181.2	192.1	204.8	-3.0	0.32
Nth Amer Inc	6	181.7	182.6	194.7	-2.8	0.32
Japanese Acc	6	248.1	248.1	262.5	+8.9	-
Global Acc	6	179.7	179.7	191.6	+0.1	0.90
Global Inc	6	168.3	168.1	179.5	+0.2	0.90
UK Spec Sits Acc	6	107.7	109.7	117.0	-0.3	3.68
UK Spec Sits Inc	6	96.51	98.38	104.9	-0.3	3.68
South East Asia	6	136.6	138.5	147.6	+1.0	0.74
Seaper Eadam Fund Mngt Ltd (1200)F						
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex						
Enquiries 0277 227300				Dealing 0277 261010		
Sector Recovery	6	129.70	134.70	141.50	+0.10	4.71
Sharp (Albert E.) & Co (1000)F						
Admin: 5 Rayleigh Rd Hutton, Brentwood Essex						
Enquiries 0277 227300				Dealing 0277 261010		
AES European	5	107.20	107.90	113.60	-0.80	1.42
AES Intl Bond & Curr	5	125.30	125.60	132.20	-0.38	5.57
AES Pooled Pension ‡	7	£152.4	158.2	167.1	-1.3	-
AES Smaller Cos	5	60.44	62.28	65.57	-0.27	1.94
AES UK General	6	115.60	117.30	123.50	[illegible]	[illegible]

OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

FT MANAGED FUNDS SERVICE

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OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

IRELAND (REGULATED)(**)

GUERNSEY (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

IRELAND (SIB RECOGNISED)

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FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 873 4378.

	Bid Price	Offer Price	+ or -	Yield Gross
R & R Fund Managers Ltd				
LFM Sterling Fd	£11.37	12.26	—	-
BF Offshore Inc Fd Ltd	£12.19	12.70	—	-
MC Offshore Fd	£9.99	10.82	—	-
Nelson Mines WW 5/5	£11.91	12.28	—	-

JERSEY (SIB RECOGNISED)

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Fund Managers (CI) Ltd						
PO Box 408 St Helier Jersey 0534 36833						
AIB Currency Funds Ltd						
Intl Managed Bond	6		£- 22.7574	22.7665	[illegible]	-
Managed Capital Bd	5		£- 22.7665	22.8073	[illegible]	-
AIB Global Currency Fund Limited						
Stg Mngd Currency H	6	£-	11.1643		[illegible]	-
Sterling Currency Fd	5	£-	10.7359		[illegible]	-
Ecu Currency	5	Ecu-	11.1918		[illegible]	-
US Dollar Mngd Curr	6	$-	22.1988		[illegible]	-
Barclays International Funds						
PO Box 152, St Helier, Jersey CI 0534 67888						
Equity Funds						
Australian Eq (Inc)	5¼	£1.039	1.039	1.105	—	0.8
Global Income (Inc)	5¼	£0.549	0.549	0.587	-0.007	2.2
Global Resources	5¼	£0.454	0.456	0.481	[illegible]	0.10
Currency Funds						
Stg Premium Income		£10.06		10.07xd	—	5.3
Sterling		£-		23.66	—	5.1
US Dollar		$-		32.67	—	1.8
Deutschemark		DM-		62.05	+0.01	7.2
Yen		Y-		4243	+0.01	3.0
Managed Multicurrency		£-	15.33	16.66	-0.04	-
Managed Multicurrency		$-	26.15	27.09	—	-
Bond Funds						
Sterling Bond	3½	£-	0.479xd	0.456	—	8.9
Capital House Fund Mgrs (CI) Ltd (0900)H						
PO Box 189, St Helier, Jersey 0534 74689						
Capital House International Growth Funds Ltd ◆						
Equities						
UK Equity	5½	[illegible]				

	Bid Price	Offer Price	+ or -	Yield Gross
Perpetual UT Mngrs (Jersey) Ltd				
Offshore Intl Gwth Fd	$3.9906	4.2411	—	-
Offshore Japanese Gwth Fd	$1.1722	1.2456	—	-
Offshore Am Gwth Fd	$6.6248	7.0402	—	-
Offshore Emerging Cos	$4.4094	4.6858	—	-
Offshore European Fd	$1.6269	1.7290	—	-
Offshore Asia Smaller Mkts	$0.9486	1.0080	—	-
Offshore Global Bond	$1.0229	1.0658	—	-
Offshore Global Bond Acc	$1.0229	1.0866	—	-
Offshore Far Eastn Fd	$2.8928	3.0742	—	-
Offshore UK Growth Fd	$2.1914	2.3289	—	-
The Portugal Fund Limited				
Lloyds Bank Trust Company (Channel Islands) Ltd				
NAV Apr 2		84.41	—	-
Royal Bk of Scotland Fd Mngrs (Jersey) Ltd				
Ivory Growth Fund	£18.38	19.63	—	1.43
LFM Defensive Strtgy	£12.40	13.07	—	-
Royal Trust Intl Fd Mngt Ltd				
Sterling Fxd Int (x)†	100.70	101.80	+0.10	8.78
International Bond (x)†	$1.1580	1.167	+0.003	5.14
†Prices on Mar 31. Next dealing Apr 14.				
Schroder Mngt Services (Jersey) Ltd				
Schroder Money Funds Ltd				
Sterling		£37.1738	+0.0394	6.11
US $		$49.0281	+0.0190	1.83
D-Mark		DM85.2709	+0.1163	7.37
Swiss Franc		SFr78.5205	+0.0666	3.70
Yen		Y5185.41	+2.06	2.09
Scimitar Worldwide Money Fund Ltd				
Sterling		£26.0210	+0.0041	6.23
US $		$37.4978	+0.0024	2.46
D-Mark		DM82.2192	+0.0155	7.21
Swiss Franc		SFr80.7585	+0.0088	6.54
Japanese Yen		Y7733.7635	+0.5455	2.58
Australian $		A$42.1808	+0.0051	4.50
Canadian $		C$34.6686	+0.0049	6.21
Ecu		Ecu18.5826	+0.0036	8.01
US$ Managed	$38.2522	40.4981	+0.0232	2.21
Sterling Managed	£24.3591	25.1537	+0.2458	4.01
Scimitar Worldwide Selection Fd Ltd				
Equity Class Funds				
[illegible]				

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

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FOREIGN EXCHANGES

Strong performance by franc

THE FRENCH franc continued to perform strongly against the D-Mark yesterday as dealers speculated that the Bank of France might cut its official interest rates today in a move to stimulate the French economy, *writes James Blitz*.

There was disappointment at the start of European trading that the Bundesbank had reduced the cost of borrowing wholesale funds in the German money market by a smaller amount than anticipated, making it more difficult for France to ease policy.

But the franc's strong performance in the first week-and-a-half of the life of the new French government raised hopes that the authorities in Paris might be confident enough to cut their official 5-10 day lending rate, currently at 12 per cent.

The franc closed a touch stronger against the D-Mark in London at FFr3.3834 from a previous FFr3.3840. Three-month French franc interest rates also fell to about 9.0 per cent from 9.50 per cent, the lowest level they have been at since 12 November of last year.

The recent narrowing of the spread between 3-month French francs and 3-month D-Marks shows the franc is shaking off the need to have a premium against devaluation. The spread was down to around 120 basis points yesterday, having been at 400 basis points in January.

However, Mr Jonathan Hoffman, economics director at Credit Suisse First Boston, believes the Bank of France may leave policy unchanged today. He thinks that French industrial companies, which tend to borrow at the long end of the market, are satisfied with the recent reductions in the spread between German bunds and French government bonds - and that this should take pressure off the Bank of France to ease policy.

Yesterday's cut in the repo rate took only 4 basis points off the cost of borrowing 14-day funds, when the market had been expecting a cut of at least 7 basis points to around 8.10 per cent.

However, both the dollar and sterling performed quite strongly against the D-Mark yesterday, in spite of the modest size of the repo cut. The dollar closed more than a ¼ of a pfennig higher against the German currency at DM1.6155, while sterling closed ½ a pfennig higher at DM2.4475.

Both the Anglo-Saxon currencies were boosted by a revised figure for March consumer price inflation in Germany, putting the year-on-year rise at 4.2 per cent instead of 4.3 per cent. This raised speculation that high inflation might not be such a strong excuse in Frankfurt for tight monetary policy.

The dollar was also underpinned by expectations that Friday's CPI figure for March might show a rise in inflation and a need for US interest rates to rise. Sterling's stronger performance was due to a report from the Halifax building society showing that house prices had shown their largest rise for 4 years in March.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Apr 7	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	142.150	139.162	-2.10	2.83	33
Irish Punt	0.809996	0.795049	-1.72	2.14	25
Dutch Guilder	2.20045	2.18252	-0.81	1.20	16
Belgian Franc	40.2802	40.0005	-0.69	1.06	10
D-Mark	1.95294	1.94168	-0.58	0.96	8
Portuguese Escudo	180.624	180.492	-0.07	0.45	-2
Danish Krone	7.44934	7.45930	0.13	0.24	-25
French Franc	6.54988	6.57458	0.38	0.00	-48

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. (17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

£ IN NEW YORK

Apr 7	Latest	Previous Close
£ Spot	1.5125 - 1.5135	1.5148 1.5158
1 month	0.34 - 0.33pm	0.37 0.36pm
3 months	1.01 - 0.99pm	1.02 1.00pm
12 months	3.28 - 3.18pm	3.32 3.25pm

Forward premiums and discounts apply to the US dollar

OTHER CURRENCIES

Apr 7	£	$
Argentina	1.6100 - 1.6115	0.9980 - 0.9990
Australia	2.1480 - 2.1500	1.4146 - 1.4155
Brazil	40017.3 - 40018.5	26449.0 - 26449.8
Finland	8.8315 - 8.8825	5.8200 - 5.8400
Greece	330.200 - 336.850	217.300 - 221.600
Hong Kong	11.6885 - 11.7010	7.7295 - 7.7305
Iran	2339.00*	1538.00*
Korea(Sth)	1195.85 - 1215.15	793.40 - 799.60
Kuwait	0.45600 - 0.45700	0.30130 - 0.30180
Luxembourg	50.50 - 50.60	33.30 - 33.40
Malaysia	3.8995 - 3.9100	2.5800 - 2.5810
Mexico	4.6780 - 4.6815	3.0920 - 3.0940
N.Zealand	2.8410 - 2.8445	1.8660 - 1.8685
Saudi Ar	5.6710 - 5.6825	3.7495 - 3.7505
Singapore	2.4540 - 2.4605	1.6235 - 1.6245
S.Af (Cm)	4.8245 - 4.8395	3.1985 - 3.2005
S.Af (Fn)	6.8840 - 6.8995	4.5500 - 4.5600
Taiwan	39.40 - 39.55	26.05 - 26.15
U.A.E.	5.5530 - 5.5860	3.6715 - 3.6735

*Floating rate. Iran Official rate: 338.50 365.30

EXCHANGE CROSS RATES

Yen per 1,000; French Fr. per 10; Lira per 1,000; Belgian Fr. per 100; Peseta per 100.

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls May	Calls June	Calls September	Puts May	Puts June	Puts September
115	-	3.00	3.31	-	0.08	0.43
116	-	2.10	2.59	-	0.17	0.65
117	1.08	1.31	-	0.14	[illegible]	0.98
118	0.41	0.71	1.34	0.47	0.73	1.37
119	0.09	0.30	0.89	-	-	-
Open Int	17,034	182,070	82,891	12,151	134,699	44,798

Estimated volume 51,675 † Total Open Interest 488,050
† All Yield & Open interest figures are for the previous day.

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	Mount Banking	6
Allied Trust Bank	6	Duncan Lawrie	6	NatWestminster	6
AIB Bank	6	Equatorial Bank plc	6	Nykredit Mortgage Bnk	6.5
●Henry Ansbacher	6	Exeter Bank Limited	7	●Rea Brothers	6
B & C Merchant Bank	19	Financial & Gen Bank	7	Roxburghe Bank Ltd	6
Bank of Baroda	6	●Robert Fleming & Co	6	Royal Bk of Scotland	6
Banco Bilbao Vizcaya	6	Girobank	6	●Smith & Williamson Secs	6
Bank of Cyprus	6	●Guinness Mahon	6	Standard Chartered	6
Bank of Ireland	6	Habib Bank AG Zurich	6	TSB	6
Bank of India	6	●Hambros Bank	6	Unibank plc	6
Bank of Scotland	6	Heritable & Gen Inv Bk.	6	●United Bk of Kuwait	6
Barclays Bank	6	●Hill Samuel	6	Unity Trust Bank Plc	6
Brit Bk of Mid East	6	C. Hoare & Co	6	Western Trust	6
●Brown Shipley	6	Hongkong & Shanghai.	6	Whiteaway Laidlaw	6
CL Bank Nederland	6	Julian Hodge Bank	6	Yorkshire Bank	6
Citibank NA	6	●Leopold Joseph & Sons	6		
City Merchants Bank	6	Lloyds Bank	6		
Clydesdale Bank	6	Meghraj Bank Ltd	6		
The Co-operative Bank	6	McDonnell Douglas Bk.	6		
Coutts & Co	6	Midland Bank	6		
Credit Lyonnais	6				

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKETS

Small cut in DM repo

THERE was a constantly shifting mood in European cash and futures markets yesterday, with various indications about when rates might be cut in Germany, *writes James Blitz*.

German markets had been very optimistic first thing in the morning that the Bundesbank would significantly ease the rate at which it offers wholesale funds to commercial banks. However, after announcing a variable rate tender for money market funds on Tuesday, the Bundesbank said yesterday that the lowest accepted repo rate for short-dated liquidity was 8.13 per cent, and that it was 8.15 per cent for 35-day funds.

UK clearing bank base lending rate 6 per cent from January 26, 1993

This was a rather smaller cut than the market had expected. Speculation had been that the repo rate would come down from 8.17 per cent to 8.10 per cent or even lower.

The repo announcement firmed German call money. The overnight cost of lending D-Marks had fallen to 8.00 per cent at the start of the day, and was back up at 8.14 per cent by the close. The duller mood was also the result of a net drain of DM8.1bn from the money market in the two-tranche deal. However, dealers said the market was still adequately provided with liquidity.

Euromark contracts fell back from their opening levels, with the June contract dropping 10 basis points from its opening level at one stage, to a low of 92.76.

However, the contract rose to a close of 92.86 a little later, partly helped by a slight downward revision in the German consumer prices figure for March, from a month-on month rise of 0.4 per cent to one of 0.3 per cent. This offset fears that German rates would only fall slowly because of inflationary pressures.

Sterling markets were quiet. There had been rumours of an imminent cut in base rates at the start of the day, partly because the sterling exchange rate index touched the 80.00 per cent level for only the second time since January 25, the day before the previous easing in UK rates.

However, the UK authorities have made clear their reluctance to ease policy for now. Three-month money closed unchanged at 5⅞ per cent and the 1-month rate closed at 5¾ per cent. There was little difficulty removing a shortage of £1.25bn forecast by the Bank of England at the start of the day.

FINANCIAL FUTURES AND OPTIONS

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

CROSSWORD

No.8,122 Set by GRIFFIN

ACROSS

1 Central Car Repairs will take it as wilfully disobedient (12)
10 Make bigger angler reposition string (7)
11 Roving policemen wanting a half-day back (7)
12 Decide to return about 55 mischievous children (5)
13 May turn what into a warning device? (8)
15 Something newly introduced by pub getting applause (10)
16 Moving right away from wine (4)
18 Creep borne before companion (4)
20 If glum Anne dances; that's significant (10)
22 Engineers in back street study remoulds (8)
24 Say return half is for bird (5)
26 Bring in container for article made of clay (7)
27 Coin thrown in vase depicting fabulous beast (7)
28 Dodge one into green bananas making illegal profits (12)

DOWN

2 When live news items include this to excite (7)
3 Grating an Indian warrior is climbing into (8)
4 Manners in company? (4)
5 As good as Brown with a horse, which takes time (10)
6 Confess now man's standing up (5)
7 Ring us after new diet becomes monotonous (7)
8 Gifted people? (13)
9 Sparkling Cilla, sitting around having taken final curtain (13)
14 Escort with cane opened gate (10)
17 Before taking port to redhead earlier (8)
19 Food supplier moved cart before entering (7)
21 Desperate, look inside for the sailors (7)
23 Covered in the thick volume relating to morals (5)
25 Adjust for air (4)

Solution to Puzzle No.8,121

WORLD STOCK MARKETS

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FINLAND

FRANCE

GERMANY

NETHERLANDS

NORWAY

SPAIN

SWEDEN

SWITZERLAND

ITALY

SOUTH AFRICA

JAPAN

AUSTRALIA

HONG KONG

MALAYSIA

SINGAPORE

CANADA

TORONTO

4 pm close April 7

Quotations in cents unless marked $

MONTREAL

4 pm close April 7

INDICES

NEW YORK

DOW JONES

STANDARD AND POOR'S

NEW YORK ACTIVE STOCKS

TRADING ACTIVITY

CANADA

TORONTO

TOKYO - Most Active Stocks

Wednesday April 7, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
NPN Steel	18.1m	399	+1	Mitsubishi Hvy	11.3m	670	+3
Fujikura	17.2m	1,010	-20	Toshiba	11.0m	737	+17
Hitachi	16.4m	800	+15	NKK	9.4m	337	+10
NEC	13.7m	956	+6	Obayashi	9.4m	716	+21
Isuzu Motor	13.1m	545	+8	Fujitsu	8.5m	682	+12

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close April 7

1993 High	Low	Stock	Div	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
13¾	11½	AAR Corp	0.48	4.0	22	83	12⅜	12	12⅛	
27⅛	20	A L Labs A x	0.18	0.8	38	818	23⅜	22¾	23¼	+⅛
61⅞	54⅝	AMP Inc	1.60	2.6	22	1343	60⅝	59¾	60½	+⅝
70¼	55½	AMR			10	18012	69⅝	65¾	69	+3¼
2	1⅜	ARX			10	169	1⅜	d1¼	1⅜	
42½	29⅝	ASA	2.00	4.8	27	786	41¼	40½	41¼	+½
30¾	22⅝	Abbott Lab	0.68	2.8	18	8807	25	24¼	24⅝	-⅜
12⅝	10¼	Abitibi Pr	0.50	4.4	3	7	11⅜	11⅜	11⅜	
11⅜	10¾	ACM Gvt In x	0.96	8.6		291	11¼	11⅛	11⅛	+⅛
9¾	9⅛	ACM GvOpp x	0.79	8.5		91	9⅜	9¼	9¼	-⅛
9⅝	8¾	ACM Gvt Sr x	0.79	8.5		135	9⅜	9⅛	9¼	-⅛
11⅜	10½	ACM Gvt Sc	0.96	8.7		159	11⅛	11	11	
10⅞	9⅝	ACM Man x	1.08	10.0		296	10¾	10⅝	10¾	+⅛
9⅜	8⅝	ACM Managd x	0.72	7.9		54	9¼	9	9⅛	-⅛
8⅞	7¾	Acme Cleve	0.40	5.1	16	69	8	7⅞	7⅞	-⅛
9¼	6½	Acme Elect			737	36	7⅜	7⅛	7⅜	+⅛
16	12⅛	Acuson			12	711	13⅝	12⅞	13½	+½
22¼	19⅝	Adams Expr	0.48	2.3	1	49	21⅛	21¼	21¼	-⅛
52⅞	45½	Ad Micro	3.00	5.5		2149	u55	51½	54¼	+2⅝
24⅜	17⅝	Ad Micro P	3.00	11.9	9	23136	u25¼	23¾	25⅛	+1⅝
7¾	5½	Advest Grp	0.16	2.3	14	75	7	6⅞	6⅞	
49⅜	41⅛	Aegon ADR	1.35	2.9	8	221	46½	46¼	46⅜	-½
53¾	43⅜	Aetna Lf	2.76	5.5	107	2474	50⅝	49⅝	50⅛	+½
14½	11½	Afil A	0.26	2.2	30	254	12⅛	12	12	-⅛
36⅞	33	Aflac	0.44	1.2	15	1153	35¾	35¼	35⅜	+⅜
22⅛	17¼	Ahmanson	0.88	4.6	9	2959	19⅛	18⅝	19⅛	-⅜
[illegible]										
48	45½	BearStPIA x	3.02	6.4		z100	46¾	46¾	47½	+¾
23¾	20½	Bearings	0.64	2.7	187	10	u23¾	23¾	23¾	
25½	21⅞	Beckman In	0.36	1.6	14	604	22¾	d21⅞	21⅞	-⅜
40¾	33⅝	Becton Dks	0.66	2.0	12	1602	33⅞	d33⅛	33⅛	-½
35	30	Belding Hy	0.64	2.0	26	270	31¼	31¼	31¼	-¼
56¾	49⅝	Bell Atlan	2.68	4.9	17	3488	55⅛	54⅛	55	-¼
[illegible]										

Continued on next page

4 pm close April 7

NYSE COMPOSITE PRICES

Continued from previous page

- S -

1993 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
22	17¼	S Anita Rt	1.36	7.2	28	42	19	18¾	19	-¼
20¾	17	SCOR US Cp	0.32	1.6	48	10	19½	19½	19¾	+⅛
24¾	20	SPS Techno	1.28	5.2	18	33	u24⅞	24½	24¾	+¼
13⅞	12⅞	Sabine Rt	2.09	15.1	10	85	u13⅞	13⅝	13⅞	+⅛
12⅞	8⅞	Safecard	0.10	0.9	15	647	11¾	11½	11⅝	+⅛
23½	17	Safeg'd Sc			10	41	22⅛	21¼	21¼	-1
24¾	19⅝	SafetyKln	0.36	1.8	26	1428	20⅜	19¾	20⅞	+⅝
14⅜	10⅞	Safeway			16	1662	13⅞	13⅝	13¾	
3	2	SafewayWt96				818	2⅞	2¾	2¾	
44½	37½	StJoePaper	0.20	0.5	79	20	40⅞	40⅝	40⅝	-⅛
37½	31	StJoeL&P	1.76	4.7	16	14	u37½	37	37¼	
83¾	75	St Paul's x	2.80	3.5	20	810	79⅞	78¾	79¼	-⅝
9⅝	8¼	Salant Crp			5	25	8⅝	8½	8⅝	
76¼	42½	Sallie Mae	1.20	2.6	11	1603	47⅞	46⅛	47	+¼
13⅞	13	Salomon Br	0.61	4.5		351	13½	13¼	13½	+¼
41⅞	35¾	SalomonInc	0.64	1.7	9	3689	38¾	37½	38¼	+¾
26⅝	23¼	SanDgo G&E	1.48	5.7	14	257	26	25¾	26	+⅛
4⅞	3½	SantaFeEDu x	0.40	10.3	43	18	4	3⅞	3⅞	
11	9⅛	SantaFeERs x	0.15	1.5	155	2178	u11	10⅝	10⅞	
39¾	35¾	SantaFePac	2.80	7.4	13	34	38	37¾	38	+⅛
15⅝	12¾	SantaFeSth	0.10	0.7	44	3484	15⅜	14⅞	15⅛	-¼
31⅛	26⅛	Sara Lee	0.58	2.2	19	13299	26⅜	d25½	25⅝	-½
46½	40⅛	Scana Corp	2.74	6.0	16	477	45½	45¼	45½	
49⅝	43	Seacorp x	2.80	5.9	14	1571	47⅜	47	47¼	-⅛
30⅞	23⅞	SchwanRP			23	1507	25⅞	25½	25¾	+⅛
63⅞	51¾	SchergPl	1.56	2.7	15	2500	58¼	56⅞	57¼	-⅝
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- T -

1993 High	Low	Stock	Div
8⅝	5½	TCBY Enter x	0.30
34⅞	28	TCF Financ	0.60
10	8¾	TCW Conv S x	0.84
34	25⅝	TDK Corp A	0.41
3¾	2⅝	T I S Mtge x	0.20
33¼	28¼	TJX Cos	0.48
19⅜	18⅛	TNP Enterp	1.63
63¾	52½	TRW Inc	1.88
25⅞	14⅝	T2 Medcl	0.10
24¼	17⅛	Taiwan Fd	
5	3⅛	Talleylnd	0.42
9¾	6½	Talley Pf	1.00
65	50½	Tambrands	1.52
16⅝	11¼	Tandem	
32½	24⅝	Tandy Corp x	0.60
13⅞	12	Taurus Mun	0.82
46	40⅜	Teco Energ	1.82
27⅝	20⅛	Tektronix	0.60
3⅜	1¼	Telecom Cp	
23	18¾	Teledyne	0.80
34⅝	29½	TeleEspSA	1.28
59⅞	46⅞	Telmex ADR	0.48
52½	45¾	Templeinl	1.00
18½	14⅞	TempltEmMk	0.39
9	8⅜	TempltGlob x	0.72
9	8	TempltGlFd	0.60
48¾	39⅛	Tennecolnc	1.60
25⅛	21¾	Teppco Pts	2.30
18⅛	13¼	Teradyne	
[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

- U - - V - - W - - X - Y - Z -

[illegible]

AMEX COMPOSITE PRICES

4 pm close April 7

[illegible]

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Col Engy		20	345	19⅜	19	19¼	
Calprop		0	11	1⅞	1⅝	1⅝	
Can Marc	0.23	8	6	11⅞	11½	11½	
Chmbrs A	0.01	26	425	4⅞	d4⅜	4⅞	
Chambers		5	59	4⅞	d4⅜	4⅞	
Champion		24	208	16⅝	16⅜	16⅝	
Chiles		1	135	3	2⅞	3	+¼
Greenman		6	247	4⅛	d4	4	
Gulf Cda	0.34	2	1457	u3⅝	3⅜	3⅜	
Hasbro	0.24	15	932	31	30⅝	31	+⅛
Odetics A		77	23	7¾	7¾	7¾	-⅛
Xytronix		5	68	6⅜	6⅛	6⅜	+¼

NASDAQ NATIONAL MARKET

4 pm close April 7

- A - - B - - C - - D - - E - - F - - G - - H - - I - - J - - K - - L - - M - - N - - O - - P - Q - - R - - S - - T - - U - - V - - W - - X - Y - Z -

[illegible]

AMERICA

Mixed performance as consumer shares lag

Wall Street

US share prices were in mixed form yesterday morning as gains in some cyclical, energy and transportation stocks helped to offset losses incurred early in the week among consumer issues, *writes Patrick Harverson in New York.*

At 1 pm, the Dow Jones Industrial Average was up 6.75 at 3,384.32. The more broadly-based Standard & Poor's 500 was also little changed at the halfway mark, down 0.08 at 441.08, while the Nasdaq composite was up 2.46 at 666.60. Trading volume on the NYSE was 174m shares just after 1 pm.

The markets lacked an overall direction, a reflection of nervousness following the recent sell-off in leading consumer stocks like Wal-Mart and Home Depot, and of the cautious approach investors were adopting ahead of the all-important inflation news out today and tomorrow, when the March producer and consumer indices will be published.

Recent gains in commodity prices, coupled with continued strength in certain areas of the economy, have revived fears that inflationary pressures may be building up. Those fears have trimmed prices in bond and stock markets, and if the March prices data comes in stronger than expected, analysts warn that equity prices could tumble.

Some individual sectors performed strongly. Airlines were generally higher amid hopes that the recent restructuring in the industry would eventually lead to a return to profitability for the country's biggest carriers. Among the leading stocks, Delta was up $⅞ at $54⅝, USAir was $1⅜ higher at $22½ and AMR, parent of American Airlines, was $1⅝ firmer at $67⅞.

Brokerage stocks were also in demand, following record quarterly results from Bear Stearns for the January-to-March reporting period. Bear Stearns was up $¾ at $18½ after announcing profits of $110.4m, up 21 per cent on a year earlier, Merrill Lynch was up $1 at $68⅞ and PaineWebber $⅛ firmer at $24⅜.

Copper stocks were weaker on concern about falling copper metal prices. Phelps Dodge slipped $2 to $44⅝, Cyprus Minerals dropped $2 to $37¼ and Asarco fell $1 to $21.

Advanced Micro Devices rose $⅞ to $24¼ in volume of 1m shares after Warburg, the securities house, raised its investment rating on the stock from "add" to "buy", citing the company's better-than-expected first quarter results.

On the Nasdaq market, Healthdyne rose $¼ to $7 after a unit of the company said that it had filed for a public offering of up to 1.75m shares with the Securities and Exchange Commission.

Canada

TORONTO was slightly weaker at midday, pressured by losses in gold shares, but overall activity was directionless. The TSE-300 index fell 5.6 to 3,593.2 in turnover of C$251m.

Laidlaw's class B shares, down C$⅛ to C$10⅞ in more than 590,000 shares, weighed on the TSE's transportation index.

SOUTH AFRICA

SHARES were broadly lower, with golds down 35 at 1,244, industrials losing 23 to 4,340 and the overall index 21 easier at 3,565. De Beers was a bright spot, advancing R1.15 to R76. Anglos lost R2 to R114.75 and Richemont 55 cents to R36.10.

Eastern promise vanishes in Austria

The stock market darling of yesteryear, Vienna has lost its lustre, writes Eric Frey

When the Berlin Wall came down in 1989 and Communism collapsed all over eastern Europe, the Vienna stock market became the darling of the international investment community, outperforming the world's major markets for more than a year.

But now, as economic reform has stalled in many East European countries and the future of Mr Boris Yeltsin, the Russian president, is in doubt, Austrian stocks have lost their lustre.

The main factor holding down the Vienna market, say analysts, is not the political turmoil in the East, but economic weakness at home. The country, which is highly dependent on the German economy, has recently slid into recession; company profits have tumbled and many industries have been hit by a string of bankruptcies.

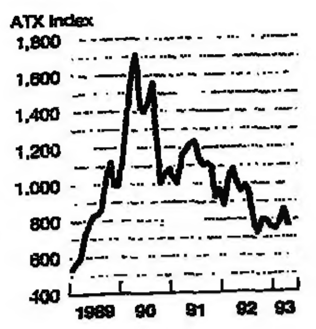
"Unless the economic data begin to show that the downward trend has ended and that a recovery is setting in, I do not see much upward potential for the stock market," says Walter Schuster, first vice-president for capital markets at Girocredit. But as long as Russia and eastern Europe are not hit by a long period of political instability, he adds, the ups and downs in Moscow will not have more than a fleeting impact on Vienna shares.

Traders expect some jitters ahead of the April 25 referendum, which could keep prices down. When Mr Yeltsin and Mr Ruslan Khasbulatov, his main rival, clashed in a dramatic power struggle last month, Vienna stocks went into a slide which erased most of the gains made since the year began.

But politics has only reinforced an economic trend which was already pointing downward, says Mr Franz Amstler, a securities expert at Bank Austria. "Yeltsin and Khasbulatov were the trigger, not the cause," he adds.

Most of the blue chip shares traded on the stock exchange are highly cyclical, and even the banks, which should benefit from lower interest rates, have suffered from the crisis in industry, because of their loan exposure and their huge equity portfolios. Bank Austria and Creditanstalt, the two largest banks, also own two of the largest industrial groups.

Austria



Source: Datastream

Construction materials, paper and machinery stocks, some of the largest sectors on the stock exchange, have been hurt by the rise of the Austrian schilling, which is pegged to the German D-Mark, against many European currencies since last autumn, and a surge of cheap imports from eastern Europe. "Industry is caught in a double whammy," says Mr Schuster of Girocredit. "It is losing market share abroad because of the exchange rate, and under pressure at home from imports."

Things looked much better just over a month ago. High interest rates, forced upon Austria and the rest of Europe by the German Bundesbank, were beginning to come down, which had helped the ATX index to climb about 20 per cent from 712.06 to a March 3 peak of 860.17. But a combination of a technical correction, negative economic and corporate news and political uncertainty cut the rally short. Yesterday the ATX closed at 779.25, down more than 50 per cent from its 1990 high.

Some analysts say that prices might go through another upturn of 10 to 15 per cent in the summer, if short-term interest rates continue to fall. Long-term rates are already close to their historical lows, however, and are unlikely, say experts, to give the market any further support. As Vienna's average price-earnings ratio of 28 is quite high compared with other markets, further equity advances will depend on a recovery in the corporate sector, they add.

A sustained recovery in neighbouring Hungary, the Czech Republic and Poland would also help. A key weakness of the market remains its high volatility, which is exacerbated by its small size, low turnover and low liquidity. Daily turnover often surpassed ASch1bn in 1990, when Austria was hot among international investors, but it has fallen as low as Sch300m this year.

"Very few Austrians hold stocks, and foreign investors are deterred by the low trading volume," says Mr Christoph Rohrmoser, an analyst for Erste Invest-Consult, the capital markets arm of the Erste bank. Weak insider-trading laws and a string of insider-trading scandals last year has also damaged the reputation of the Vienna market, but their effect might have been exaggerated. "The foreigners investing in Austria are used to worse conditions than they find here," Mr Rohrmoser concludes.

ASIA PACIFIC

Foreign demand pushes Nikkei to high for year

Tokyo

SHARE prices surged on active buying by investors eager to increase exposure to Japanese stocks, and the Nikkei average briefly rose above the 20,000 level before losing some of the gain on profit-taking, *writes Emiko Terazono in Tokyo.*

The Nikkei closed 342.43 ahead at a peak for the year of 19,829.23. It opened at the day's low of 19,506.58 and surged as high as 20,054.51 in the morning session. Profit-taking by institutional investors later eroded part of the rise.

Volume increased from 734m shares to 850m. Rises led falls by 809 to 271, with 112 issues unchanged. The Topix index of all first section stocks appreciated 29.75 to 1,559.22, and in London the ISE/Nikkei 50 index put on 4.10 at 1,234.95.

Traders said investors, especially UK and US pension funds, were eager to buy stocks on a dip. Japanese brokers pointed out that the rise was liquidity driven rather than a rally supported by economic fundamentals such as corporate earnings. "We are telling clients to ignore fundamentals for the moment," said one broker.

Nippon Telegraph and Telephone led the rise, advancing Y20,000 to Y1.06m in active volume. Traders said investors remained bullish about NTT.

Companies with close links to NTT gained ground, with Iwasaki Electric rising Y16 to Y586 and Nitsuko Y8 to Y758. Fujikura, the telecom company, however, receded Y20 to Y1,010 on profit-taking.

Exporters, which have been slow to respond to the recent rally due to the higher yen, surged on bargain hunting. Fujitsu moved ahead Y12 to Y662 and Sony Y420 to Y4,950.

Car manufacturers were also firm, with Toyota Motor adding Y110 at Y1,680.

Drug issues were also picked up as laggards, relative to the Nikkei index. Yamanouchi Pharmaceutical improved Y130 to Y2,480 and Daiichi Pharmaceutical Y50 to Y1,670.

Dowa Mining retreated Y22 to Y645. The issue had gained on reports that the company had discovered a gold vein in northern Japan.

In Osaka, the OSE average rose 389.97 to 21,547.41 in volume of 39.2m shares.

Roundup

A FIRM trend was evident in a number of the Pacific Basin markets.

SINGAPORE's Straits Times Industrial index finished at a fourth consecutive all-time high, up 10.42 at 1,721.20. Solid institutional and retail buying activity took volume up to a hefty 361m shares from Tuesday's 255m.

Singapore property stocks were in demand on local media reports that mortgage rates would remain soft.

TAIWAN finished at a 12-month peak in heavy trade. The weighted index, up more than 100 points before profit-taking set in, ended 30.67 ahead at 5,013.28, its highest close since 5,029.61 on March 14, 1992. Turnover amounted to T$81.24bn.

Profit-taking in banking issues, which have led recent gains, deterred investors from pushing the market up more sharply. But most industrial shares gained, with textiles and electronics particularly strong. China Steel appreciated 80 cents to T$30.10 in very heavy business.

SEOUL saw active trade which took the composite index above the 700 level shortly after the opening. But profit-taking on large-capitalisation shares dragged the index back to close a net 2.38 higher at 699.49.

KUALA LUMPUR closed mixed, although Idris Hydraulic resumed its surge on speculative buying. The composite index breached the 660 resistance level to end 5.46 firmer at a year's high of 661.35.

Idris, in spite of saying that it had no material announcement to make, surged 70 cents to M$2.71 in volume of a record 214.1m shares.

MANILA continued to rise for a third day on bargain hunting in anticipation of a rally. The composite index closed 26.75 higher at 1,556.13, for a cumulative 4.87 per cent advance since last Friday.

AUSTRALIA declined in dull pre-holiday trade, brightened only by Mr Kerry Packer's reported raid on John Fairfax. The All Ordinaries index lost 3.4 to 1,654.9 in turnover of A$283.4m. Some 36m Fairfax shares were traded at US$2.10 each after the market closed on Tuesday. Reports that Mr Packer was the buyer sent Fairfax up 6 cents to A$1.98.

HONG KONG closed almost 1 per cent down, although there were signs of support at lower levels. The Hang Seng index slid 59.13 to 6,281.70 in turnover of HK$2.2bn.

BOMBAY ended with the BSE index 97.24, or 4.2 per cent, higher at 2,408.68. Unfortunately, the interest rate cuts expected from the Reserve Bank of India after the close were not forthcoming; and although the RBI changed its credit policy, allowing borrowing against shareholdings of up to 50 per cent of their value, against 25 per cent previously, brokers were divided on which way the market would move today.

EUROPE

Milan investors begin to believe economists

WITH the exception of Milan, which took its rally to a third day, bourses tended to ease yesterday on position-squaring ahead of the Easter holiday, reaction to company results and a degree of disappointment with the Bundesbank's slow approach to interest rate cuts, *writes Our Markets Staff.*

MILAN rose on a broad front as investors began to believe a number of economists who have been suggesting in recent days that the worst of the Italian recession was over, and that the economy was poised for an export-led recovery.

Comments by the governor of the Bank of Italy and the president of Italy's Banking Association about the outlook for lower interest rates also helped the mood. The Comit index rose 13.21 or 2.7 per cent to 498.76.

Fiat and Generali were among the strongest performers, boosted by short-covering linked to monthly options' contracts. Generali fixed L1,390 higher at L35,090 and added another L110 on the kerb.

Fiat rose L258 or 4.5 per cent to fix at L5,928 before rising to L6,030 after hours as rumours about asset sales continued. Speculation this week about a possible disposal of its retail group took the Rinascente shares L190 or 2.2 per cent higher to to L8,775.

FRANKFURT fell as the Bundesbank shaved just four basis points off its short term repo rates. The automotive sector fell in unison as the DAX index closed 15.09 lower at 1,650.31 in turnover down from DM5.9bn to DM5.6bn.

Daimler fell DM16.70 to DM563.80 on reports that a major German bank had made the shares a trading sell, bringing its Mercedes unit down DM19 to DM545; and VW lost DM7.90 to DM308 on profit-taking after hitting a new 1993 high on Tuesday.

Mr Patrick Bettscheider, deputy equity dealing head at Bank Julius Bär in Frankfurt, said that the two carmakers apart, the market was illiquid on both the buy and the sell side, waiting for a new direction. In his view, that will be up, and will accelerate when other major companies are seen to employ the same cost cutting and restructuring policies which have brought VW back to popularity.

Meanwhile, AEG fell DM8.50 to DM160 after it predicted 1993 operating losses at least as high as the DM200m of 1992.

PARIS seemed unimpressed by its results season as the CAC-40 index fell 11.37 to 1,983.96 in thin to moderate trade.

The tyremaker, Michelin, lost FFr1.90 to FFr165.10 after warning of a first-half loss if business does not improve.

FT-SE Actuaries Share Indices

April 7								THE EUROPEAN SERIES
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1146.85	1145.89	1147.01	1146.46	1143.70	1142.84	1143.94	1144.38
FT-SE Eurotrack 200	1208.88	1209.01	1209.37	1207.06	1202.71	1203.95	1205.89	1206.25

	Apr 6	Apr 5	Apr 2	Apr 1	Mar 31
FT-SE Eurotrack 100	1147.43	1136.15	1140.38	1144.81	1149.13
FT-SE Eurotrack 200	1210.05	1202.24	1215.52	1219.86	1220.16

Base value 1000 (26/10/90) High/day: 100 - 1147.41; 200 - 1209.38 Low/day: 100 - 1142.16 200 - 1201.33.

Worries about Michelin spilled over into Peugeot, which fell FFr6 to FFr549; and Thomson-CSF closed FFr3 lower at FFr163.50 after it reported a 35 per cent drop in profits for 1992, and cut its dividend.

Pechiney International fell another FFr3.50 francs to FFr217 after Tuesday's FFr10.50 decline, on further consideration of its results for 1992 and the company's lack of optimism about the beverage can market this year.

Among the day's winners, the Ferruzzi food unit, Eridania-Beghin Say, jumped FFr37 to FFr737 following news late on Tuesday of a 69 per cent jump in 1992 net profits.

AMSTERDAM was dominated by a fall in Heineken as the CBS Tendency index dipped 0.5 to to 107.5 in otherwise quiet trading.

Heineken finished Fl 6.10 lower at Fl 190.90 after it said that the European beer market was coming under increasing pressure from recession and taxation, and warned against short-term optimism. The shares had risen by 29 per cent over the last 12 months.

Unilever ended Fl 2.70 lower at at Fl 206.40, taking a lead from the re-rating of US consumer goods shares after Philip Morris's price cuts last Friday.

DSM, the chemicals group, lost Fl 3.00 to Fl 84.20 as the company warned that profits might not grow this year.

The shares of the newly-merged Bols Wessanen finished at Fl 42.60 on their first day of trading.

ZURICH edged back after Tuesday's record close and the SMI index shed 11.1 to 2,184.9 in thin trading.

Nestlé, down SFr35 or 2.9 per cent at SFr1,160, was hit by fears of increased price competition after the Philip Morris price cuts.

A new structure of industrial sector classifications for the FT-Actuaries World Indices has been published in draft form by the committee which supervises the indices. An outline of the new structure is published in this issue. Details, page 20.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY APRIL 6 1993								MONDAY APRIL 5 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993 High	1993 Low	Year ago (approx)
Australia (68)	136.36	-0.6	133.53	98.18	114.32	128.88	-0.8	3.83	137.18	133.72	98.47	113.80	129.93	141.00	117.39	144.38
Austria (18)	142.34	+0.1	139.38	102.48	119.33	119.21	+1.0	1.85	142.21	138.62	102.07	117.96	117.98	150.96	131.16	170.31
Belgium (42)	152.96	-0.3	149.78	110.12	128.23	125.23	+0.6	4.69	153.41	149.54	110.11	127.25	124.47	153.71	131.19	140.19
Canada (110)	122.72	-0.1	120.18	88.35	102.88	111.93	-0.3	2.97	122.79	119.69	88.13	101.84	112.25	125.97	111.41	126.53
Denmark (33)	206.61	-0.7	202.33	148.76	173.21	174.16	+0.3	1.32	208.14	202.89	149.40	172.65	173.61	210.28	185.11	231.34
Finland (23)	80.71	+1.2	79.04	58.11	67.66	99.09	+1.9	1.26	79.74	77.72	57.23	66.14	97.22	80.71	65.50	75.65
France (98)	162.88	-0.1	159.51	117.27	136.54	139.44	+0.7	3.19	163.06	158.94	117.03	135.24	138.44	165.09	142.72	158.88
Germany (62)	113.89	-0.7	111.52	82.01	95.47	95.47	+0.3	2.22	114.74	111.85	82.37	95.18	95.18	115.03	101.59	121.50
Hong Kong (55)	253.75	-1.0	248.49	182.69	212.74	251.85	-1.0	3.67	256.25	249.78	183.93	212.57	254.31	262.08	218.82	204.51
Ireland (15)	157.36	+0.2	154.09	113.29	131.92	146.84	+1.0	3.60	157.03	153.06	112.71	130.26	145.33	161.39	129.28	157.04
Italy (73)	*57.07*	*+1.7*	*55.89*	*41.09*	*47.84*	*66.00*	*+2.3*	2.96	56.14	54.72	40.29	46.56	66.51	64.28	53.78	71.33
Japan (470)	134.18	-2.0	131.40	96.61	112.50	96.61	-1.7	0.86	136.89	133.44	98.26	113.57	98.26	136.89	100.75	94.32
Malaysia (69)	291.16	+0.7	285.12	209.62	244.08	289.36	+0.4	2.32	289.04	281.74	207.46	239.75	288.26	291.16	251.66	235.38
Mexico (18)	1625.48	+0.2	1591.76	1170.32	1362.70	5496.94	+0.1	1.09	1623.00	1582.02	1164.94	1346.28	5489.44	1725.81	1410.30	1653.84
Netherland (24)	169.32	-0.3	165.81	121.91	141.95	140.11	+0.8	4.04	169.76	165.47	121.85	140.82	138.96	169.95	150.39	154.34
New Zealand (13)	45.80	-0.2	44.85	32.98	38.40	45.68	-0.1	4.79	45.91	44.75	32.95	38.08	45.74	47.03	40.56	42.57
Norway (22)	155.11	+0.5	151.89	111.68	130.03	144.74	+1.7	1.82	154.35	150.45	110.79	128.04	142.38	156.66	137.71	171.32
Singapore (38)	230.63	+0.7	225.85	166.05	193.34	172.81	+0.7	1.94	229.12	223.33	164.46	190.05	171.58	230.63	207.04	197.44
South Africa (60)	178.48	+0.2	174.78	128.50	149.62	177.11	+0.0	2.84	178.09	173.59	127.82	147.72	177.11	178.48	144.72	226.54
Spain (45)	128.56	-1.5	125.89	92.56	107.78	112.49	-0.2	5.39	130.46	127.16	93.64	108.21	112.72	131.62	115.23	148.94
Sweden (36)	161.48	-1.1	158.13	116.26	135.38	182.46	-0.2	1.85	163.24	159.12	117.17	135.41	182.81	168.80	149.70	186.93
Switzerland (56)	*118.46*	*-0.2*	*116.01*	*85.30*	*99.32*	*109.36*	*+0.6*	1.98	116.70	115.71	85.21	98.48	108.73	118.71	106.91	100.07
United Kingdom (219)	173.19	-0.7	169.60	124.68	145.18	169.60	-0.2	4.07	174.38	169.98	125.15	144.64	169.98	177.17	162.00	167.79
USA (519)	180.03	-0.3	176.29	129.62	150.93	180.03	-0.3	2.82	180.56	176.00	129.60	149.78	180.56	186.27	175.38	162.39
Europe (756)	*143.07*	*-0.5*	*140.10*	*103.01*	*119.95*	*132.08*	+0.3	3.40	143.73	140.10	103.16	119.23	131.71	144.90	133.92	142.39
Nordic (114)	152.97	-0.7	149.80	110.14	128.24	150.82	+0.3	1.66	154.00	150.11	110.54	127.75	150.43	154.48	142.13	173.41
Pacific Basin (713)	137.76	-1.8	134.90	99.19	115.49	102.31	-1.5	1.17	140.29	136.75	100.70	116.37	103.92	140.29	105.89	99.92
Euro-Pacific (1479)	139.81	-1.2	136.91	100.66	117.20	114.77	-0.8	2.10	141.58	138.00	101.61	117.43	115.68	141.58	117.26	117.11
North America (629)	176.46	-0.3	172.80	127.06	147.96	175.40	-0.3	2.63	176.96	172.49	127.03	146.81	175.92	182.38	171.51	160.12
Europe Ex. UK (547)	124.25	-0.3	121.67	89.48	104.19	110.86	+0.6	2.95	124.63	121.48	89.47	103.40	110.18	124.99	112.51	128.14
Pacific Ex. Japan (243)	173.28	-0.4	169.69	124.78	145.28	158.57	-0.5	3.42	174.04	169.65	124.94	144.38	159.45	174.52	152.70	155.18
World Ex. US (1667)	140.55	-1.2	137.64	101.20	117.84	116.71	-0.8	2.12	142.23	138.64	102.10	117.98	117.60	142.23	118.51	119.67
World Ex. UK (1967)	150.88	-0.8	147.75	108.63	126.50	132.88	-0.6	2.22	152.16	148.32	109.23	126.23	133.68	152.16	134.22	129.89
World Ex. So. Af. (2126)	152.77	-0.8	149.60	110.00	128.09	135.83	-0.6	2.40	154.07	150.18	110.60	127.81	136.62	154.07	137.29	132.55
World Ex. Japan (1716)	164.41	-0.3	161.00	118.38	137.85	158.42	-0.1	3.04	164.97	160.81	118.42	136.87	158.59	167.11	157.47	154.89
The World Index (2186)	152.84	-0.8	149.67	110.05	128.14	136.22	-0.6	2.40	154.12	150.23	110.63	127.85	137.01	154.12	137.32	133.18

Constituent changes with effect 8/4/93: Addition: Bols Wessanen. Deletion: Wessanen (both Netherlands). *Latest prices were unavailable for this edition.*
South African market closed April 6.